

Annual "yardsticks" report: The Top 100 chains

# Chain Store Age

GENERAL MERCHANDISE EDITION

June

1983

# Plums

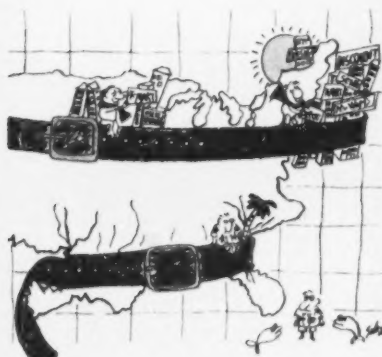


**PICKING A NICHE  
IN THE  
OFF-PRICE FIELD**

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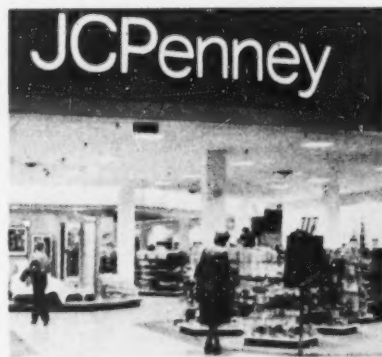
TWO DOLLARS PER ISSUE

# IN THIS ISSUE



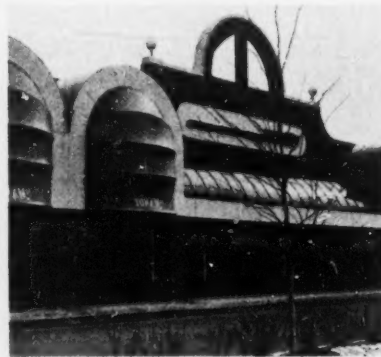
## Frostbelt warms up sales

For retailers, at least, the economic climate is quickly improving in the beleaguered Frostbelt States. General merchandise sales are on the upswing and some observers say the country's Northern tier is, for the first time in decades, ripe for expansion. Meanwhile, the Sunbelt States are wilting from the soft energy market, unemployment and, in some regions, slower population growth ..... 31



## State of the Industry

The Top 100 general merchandise chains witnessed a 7.3% sales increase in 1982 while the nation's Top 15 retailers benefited from a hefty 12.6% increase in their profits. For the hard lines specialty stores, sales were up 18% while the soft line specialists recorded a 12.9% gain. And, as in years past, once again R. H. Macy, J. C. Penney and Wal-Mart were the leaders in their respective divisions ..... 34



## Off-price comes of age

It was the year of the off-pricer. This dynamic growth has caused many retail powerhouses to get involved. ADG bought Loehmann's, Dayton Hudson opened Plums and K mart debuted Designer Depot. Whether sales will continue at the heady 35% annual increases established over the last five years is another question. However, one thing is for sure: No one doubts the staying power of off-pricers ..... 131

## Industry News

|                                                                      |     |
|----------------------------------------------------------------------|-----|
| Newstrack .....                                                      | 18  |
| Kingsway fills Detroit's retail vacuum .....                         | 33  |
| Dept. stores best discounters again .....                            | 47  |
| Macy's and Mercantile pack a one-two punch .....                     | 49  |
| The Top 100 chains increased sales in '82 by 7.3% .....              | 49  |
| Wal-Mart reigns with Jamesway a distant second .....                 | 51  |
| Penney stays on top while Sears shows big gains .....                | 53  |
| CSA wrapup: how top 27 chains fared in '82, outlook for '83 .....    | 55  |
| Touche Ross: how to improve productivity .....                       | 146 |
| Washington Viewpoint: small business has large economic impact ..... | 160 |

## Apparel Merchandising

|                                              |     |
|----------------------------------------------|-----|
| Plums aims for the elegant approach .....    | 132 |
| Pic-A-Dilly: a dilly of an off-pricer .....  | 134 |
| Casual Male: sites set high .....            | 136 |
| Back Room merchant seeks upfront sales ..... | 138 |
| Banker's Note: most noteworthy growth .....  | 138 |
| Dress Barn goes public .....                 | 139 |
| Women's specialists need fashion look .....  | 140 |

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## NEWSVIEW

## 14K goals for new Service venture

One of the giants in the catalog showroom industry, Service Merchandise, has ventured into specialty jewelry retailing by opening ZIMM'S, a 4,500-sq.-ft. fine jewelry and giftware store in the Hundred Oaks Mall in Nashville last November.

Service, already a major force in the estimated \$12 billion jewelry industry, is no stranger to jewelry retailing, featuring jewelry and watches prominently in its catalog showrooms. Last year, about 21% of company sales were generated by jewelry, Service's highest profit category with maintained gross margins approximating 35%.

ZIMM'S—located in a regional mall anchored by J.C. Penney, Woolworth and Harvey's, a local department store—competes with four other jewelers in the mall.

### Young and old are tough to please

|                     | Total | Age   |       |       |              |
|---------------------|-------|-------|-------|-------|--------------|
|                     |       | 18-24 | 25-34 | 35-49 | 50 and above |
| Department store    | 82.7% | 72.6% | 83.5% | 85.0% | 83.0%        |
| Sears, Ward, Penney | 68.5  | 69.0  | 69.5  | 70.8  | 65.4         |
| Discount stores     | 56.0  | 54.9  | 58.0  | 56.6  | 54.0         |
| Specialty stores    | 66.9  | 69.0  | 75.5  | 70.8  | 54.9         |

Source: Mark Clements Research for *Self* magazine

### Quality is in the age of the buyer

If quality counts in the store selection process, department stores, not surprisingly, have a leg up on their general merchandise competitors. That's just one of the findings gleaned from a recent Mark Clements Research study of 1,500 working women polled for *Self* magazine.

The survey found that 82.7% of the working women rated the merchandise available in department stores as good or excellent. This compares to only 56% of the poll participants giving high marks to discounters. The Big 3 catalog chains edged in ahead of specialty stores on the quality scorecards.

What's interesting is that women 50 years and over, perhaps succumbing to the "they-don't-make-it-the-way-they-used-to" syndrome, are the most critical analysts of quality for each store type except department stores.



They come in every shape, size and style. Some are funny. Some sentimental. All unique. The new line of products and people you'll be getting with your expanded Forget-Me-Not department.

You'll meet the card enthusiasts. You know, the ones who send cards to everyone and for every occasion? They want selection and once they find out Forget-Me-Not has over 1,750 everyday designs (plus 30% more seasonal cards than before), they'll be picking them up by the dozen.

Then there's the people who don't just stop at cards. They want more from a complete card department. And with all our gift wrap, party goods, party favors, candles, posters, and more, they're bound to be regular customers.

So start making room for our newly expanded line. And while we're on the subject of expanding, maybe you should make more room for your customer lines as well.

**FORGET ME NOT**  
AMERICAN GREETINGS  
WE'RE GROWING TOGETHER



## NEWSVIEW

## Jamesway set to tackle new turf

Jamesway's drive into Delaware with the mid-April opening of twin 80,000-sq.-ft. stores in former Woolco sites must have sent shudders through the ranks of the state's top discounters—K mart, Ames and Jefferson Ward. The high-flying regional's formula of brand names at popular prices—a familiar refrain in the discount industry—sent Jamesway's sales and earnings to record highs last year.

The Delaware debut represented half of the units the Secaucus, N.J.-based chain opened in April—the other two located in Cornwell Heights, Pa., and Laurel, Md. The Delaware stores are situated in Claymont and Newark, markets where K mart held sway with single-store entries. Jamesway plans to open 10 stores this year.

Jamesway closed last year with volume up 12.3% to \$332.5 million

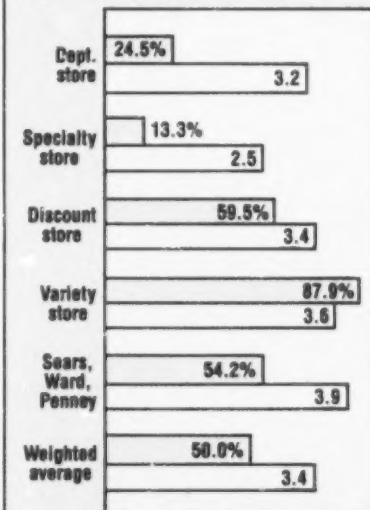
and profits soaring 60.2% to just under \$6.8 million. The chain has been stepping up its apparel assortments following the appointment of Theodore Bierman as sr. vp/gmm-soft lines early in '82. Bierman is a former department store merchant and some market observers credit a portion of Jamesway's improved bottom line to stronger margins in soft lines.

## Correction

In the April 1983 issue of *Chain Store Age*, the five tiers of general merchandise retailing in the chart (right) were incorrectly labeled indicating that store managers participating in the survey rated variety stores as the best trainers. In fact, the Big 3 catalog chains received the highest ratings from their store managers.

## Correction

## Big 3 are the best trainers\*



☐ Chain has a formal training program  
☐ Rating of program\*

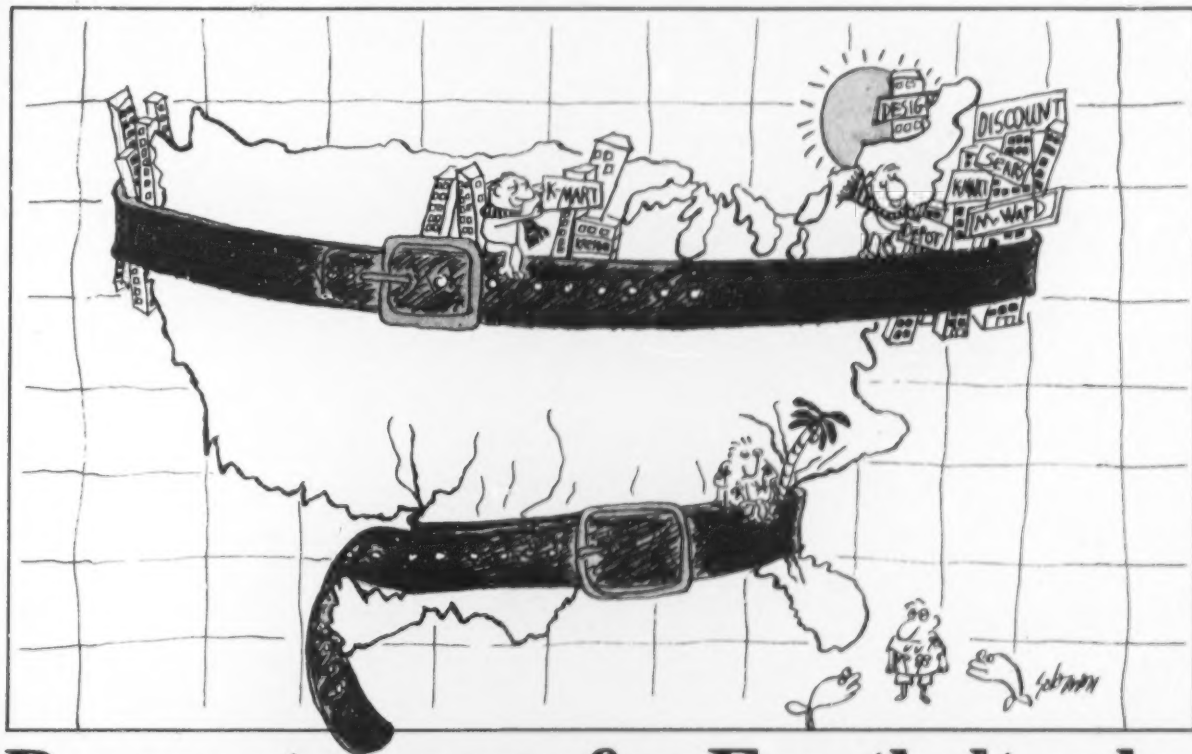
\*Rating based on a scale of 1 to 5 with 1 being poor and 5 being excellent

Source: CSA research

# Introducing the newly expanded line from Forget-Me-Not.







## Prospects warm for Frostbelt sales

□ For retailers, at least, the economic climate is quickly improving in the beleaguered Frostbelt States. General merchandise sales are on the upswing and some observers say the country's Northern tier is, for the first time in decades, ripe for expansion. Meanwhile, the Sunbelt States are wilting from the soft energy market, unemployment and, in some regions, slower population growth.

In 1982 the U.S. Department of Commerce monthly GAF sales reports (general merchandise) revealed the shifting trend. This economic flip-flop was particularly evident in comparisons of the two most economically disparate regions—The East North Central States (which includes the industrial Midwest) and the West South Central region (including energy-rich Texas and Oklahoma).

The East North Central States were hit hardest by recession as the nation's smokestack industries fell on hard times. And while unemployment remains at disturbing levels (as high as 25% in February in some cities), consumer confidence and sales growth are on the rise.

From 1978 through 1982 the region's compound sales growth was only 3.6% compared with a 6.6% national average, according to Commerce Department figures. But there were signs the region's fortunes were turning by the end of 1982. Although GAF sales were up a small 2.7%, the gain was slightly above the 2.4% national average and stronger than many economically robust regions (see chart).

### While the country's Northern tier is ripe for expansion, the Sunbelt States are wilting.

The nation's largest retailers also reported gains from their Midwest stores in their monthly sales reports. Sears, K mart, Federated and Montgomery Ward all indicated that the Midwestern stores began showing significant sales increases beginning late last year. "The Midwest territory had the best sales gains for the industry. The Milwaukee group was the best for Sears in terms of sales gain," says Tom

Swanstrom, Sears' chief economist.

The sales upswing continued into the new year. The region's GAF sales were up 5.5% for January and February compared with the 4.3% national average.

The New York-based Conference Board's Consumer Confidence Index also showed the foundation was being laid for a consumer spending comeback in the Frostbelt States. In the East North Central region the index was up 31.1% for the first quarter of '83, compared with the same period in 1982.

At the same time, Sunbelt States began to show a retail sales downturn as well as a decline in consumer confidence. The Conference Board index was down 19.7%, the only decline in the country in the West South Central region for 83's first quarter.

The region—which also includes Louisiana and Arkansas—has been plagued by the decline in oil prices. Commenting on corporate's Oklahoma City-based John A. Brown department store division, Dayton Hudson pres./ceo Kenneth Macke says, "When oil dropped, we dropped with it."

## STATE OF THE INDUSTRY

And so did many other GMers, especially in Texas where retailers and Government officials discovered that the energy industry did not make the Lone Star State recession-proof.

While the Sunbelt's 1978-82 compound sales growth was a strong 10.6%, 1982 sales were up a slim 0.9% and down 5% for January and February. In Texas alone, GAF sales were down 8.1% in the first two months of the year. The state has suffered through seven consecutive months of percentage declines dating back to August 1982.

The Sunbelt's recent economic troubles may have some retailers rethinking their southern strategy. Not only has the recession touched the prosperous region, but many major markets are suffering from retail oversaturation. In fact, some industry analysts say the next major expansion drive may be in the Frostbelt States.

At least that's what New York-based Lehman Brothers Kuhn and Loeb Inc., is forecasting. "Things go in cycles," explains Fred E. Wintzer Jr., first vp, Lehman Securities Division, "and the cycle for the last 10 to 15 years has been everybody trying to get into the Sunbelt and they [retailers] overdid it, which they always do."

Six of the top 10 overstored markets are in Sunbelt States, according to an early '83 retail industry



*Sears' Swanstrom reports Milwaukee was best for the company in sales gains.*

report authored by Wintzer. Southern Florida is the most overstored market, the report says, followed by an area spanning eastern Texas and Oklahoma.

The Frostbelt is fertile expansion territory because of its high per capita income, a large population base and a slow retail expansion rate. Out of 24 large Sunbelt and Frostbelt markets, Wintzer has tabbed Boston, New York, Detroit

(see accompanying story), and Minneapolis as the most attractive markets "relative to future retail expansion potential."

"Those markets have the best potential based on low levels of saturation and high per capita income," Wintzer explains. "And this is all despite low population growth. Those particular markets have been ignored by expansion-minded retailers who have been plowing into the Sunbelt. Right now you're not getting new people [retailers], outside blood, into those markets."

Wintzer adds that newer forms of retailing, such as catalog showrooms and off-price apparel outlets, are in the best position to expand into these once-flourishing Frostbelt markets. "A lot of these older [innercity] neighborhoods are starting to come back and they're understored with a lot of newer concepts and overstored with a lot of dying concepts such as mom and pop stores and independent drug stores," he says.

K mart, the nation's largest discount, appears ready to set out on a Frostbelt expansion strategy of its own with its new off-price apparel chain, Designer Depot. Many of the stores will be placed in renovated Kresge variety store units, much of which are based in older, urban locations.

Nevertheless, the long-term prospects for the Sunbelt are still upbeat. Projected population growth rates are high for most southern markets until the end of the decade, which may ease the overstored situation if retailers hold the line on expansion. But there are still many opportunities outside major metropolitan Sunbelt markets as evidenced by Bentonville, Ark.-based Wal-Mart's blitzkrieg expansion in Texas. "The thinking in the industry is that the growth is in the South and the Southwest," contends Sears' Swanstrom. "As of now I think retailers will have to operate as if there will not be a reversal [in the Frostbelt States] and expansion will still have to be concentrated in the South and Southwest."

From 1980 to 1990, the nation's fastest-growing regions will be the

### *The Frostbelt freeze creeps south*

| Region             | Compound sales growth '78-'82 | 1982 % sales growth | Feb., Jan. '83 % sales growth | Consumer confidence % change | '70-'80 % pop. growth rate | Projected '80-'90 growth rate |
|--------------------|-------------------------------|---------------------|-------------------------------|------------------------------|----------------------------|-------------------------------|
| New England        | + 8.1%                        | + 8.9%              | + 6.9%                        | + 17.9%                      | + 4.3%                     | + 6.1%                        |
| Middle Atlantic    | + 5.5                         | + 2.4               | + 5.2                         | + 16.1                       | - 1.1                      | - 6.1                         |
| East North Central | + 3.6                         | + 2.6               | + 5.5                         | + 31.1                       | + 3.5                      | + 1.2                         |
| West North Central | + 4.8                         | + 2.7               | + 5.4                         | + 41.6                       | + 5.3                      | + 11.3                        |
| South Atlantic     | + 7.6                         | + 4.0               | + 10.7                        | + 18.7                       | + 20.4                     | + 13.1                        |
| East South Central | + 5.6                         | + 5.7               | + 4.1                         | + 17.4                       | + 14.7                     | + 23.3                        |
| West South Central | + 10.6                        | + 0.9               | - 5.0                         | - 19.7                       | + 22.9                     | + 26.6                        |
| Mountain           | + 10.6                        | - 0.7               | + 0.1                         | + 8.1                        | + 37.3                     | + 35.6                        |
| Pacific            | + 6.7                         | + 1.2               | + 2.1                         | + 12.6                       | + 19.9                     | + 18.0                        |
| Average            | + 6.6                         | + 2.4               | + 4.3                         | + 12.7                       | + 11.5                     | + 11.2                        |

*The Conference Board: Jan.-March 1983 compared with the same period 1982.*

*Note: Sales percentage change based on U.S. Dept. of Commerce GAF sales reports.*

*Sources: CSA research, The Conference Board, U.S. Dept. of Commerce and the Harvard Business Review.*

East South Central, the Mountain State and the West South Central, Gregory Jackson and George Masnick write in their *Harvard Business Review* article on United States regional growth. The authors say the Sunbelt States will continue to profit from economic and population growth. "The nation faces a continuing shift of employment, income and population away from the 'older [economically mature]' industrialized and densely settled regions of the North toward the 'newer,' less industrialized and more sparsely settled regions of the South and West," they write.

However, two Northern "resurgent" regions—New England and the West North Central States (from Minnesota south to Kansas)—will experience economic and population growth through the end of the decade, Jackson and Masnick forecast.

But the bottom line is that expansion-minded retailers can no longer afford to lavish attention on the Sunbelt regions at the expense of Northern states. As Chicago-based retail economist Jay Levine says, "I just wouldn't discount the Frostbelt." □

## Kingsway filling Detroit's retail void

□ Kingsway is a four-store, inner-city discount department store chain in Detroit, a city which has lost 20 major retail outlets since the early 1970's. It's also a market where unemployment in some neighborhoods is as high as 25%. But despite the city's well-documented economic trials, Kingsway has managed to carve out a profit in a community others have long abandoned.

"There was a vacuum here and we filled it," says Arthur Stuart, the chain's president. "You've got to be pretty hungry to come in here."

In 1982 Kingsway logged sales of slightly more than \$60 million with a 25,000 sku inventory which ranges from pet supplies to home furnishings. The chain's sales-per-gross-square-foot is estimated at



*Pres. Arthur Stuart credits Kingsway's success to filling merchandise gaps.*

\$104 compared with a year-end 1981 \$76.51 average among regional discounters tracked by CSA.

Kingsway customers are predominantly black (70%), but Stuart says shoppers are drawn from all economic levels. "This is a tremendous misconception about innercity customers," says Stuart. "We don't have a single customer. They run the gamut from poverty pockets to homes where incomes are in the excess of \$100,000. The central cities are perceived as being ghettos. They're perceived as being poverty pockets. There are poverty pockets and there are ghettos, but there are other areas as well."

The chain, with stores located in recycled retail outlets, heavily emphasizes apparel as well as young family-related merchandise. Stuart, in fact, has developed a "Kidsway" department where infants' and children's apparel, furniture, toys and sporting goods are located on the complete second floor of the chain's two-level stores. "We recognized there was an area for children's and infants' products," explains Stuart. "Although the birthrate has dropped nationally, within our market there is still population growth."

Stuart, in fact, attributes the chain's success to filling merchandise gaps in the Detroit market.

Health and beauty aids is one example, says Stuart. "One of our locations was an Arlan's store for 18 years," he says. "In health & beauty aids, Arlans did about \$125,000 a year and they had less than one turn. We'll do close to \$2 million in H&BA in that store and our turn is about nine, 10 times."

Despite a virtual monopoly, Stuart says prices are competitive with K mart and other area merchants. "I haven't taken advantage of our position to raise prices," explains Stuart. "We have to run our business as if they [other retailers] are breathing down our necks. I think we would be able to get away with raising prices for a few years, but in the long run it would harm us."

One of Kingsway's trump cards is, apparently, community relations. The chain hires its staff from the black neighborhoods and is also sensitive to the problems many of its customers have had with other innercity retailers. "We've established credibility with our customers—they trust us," Stuart says. "A mistake in this area can't be fixed as easily as other neighborhoods. If a retailer develops a reputation for overcharging, for bad service, for poor personnel policies, for overbearing security—these things can put an operation out of business." □



# Exercising caution shaped up '82

□ The lessons of the last few years have apparently been learned by retailers. Though forced to promote more heavily to stimulate shoppers, retailers are apparently exercising caution in their inventory commitments, both for regular and promotional goods.

Of course, buying apparel closer to season and with lower initial orders has left an inventory void at the supplier level that off-pricers have rushed to fill (off-price chains tracked by *Chain Store Age* increased sales by 28.7% last year). But the more traditional merchants have benefited too.

In 1982, with the aid of a better than expected LIFO provision, the nation's Top 15 general merchandise retailers posted a hefty 12.6% profit increase. The big jump came on top of an 11.8% boost in 1981, so retailers had sufficient reason to be joyful.

Sales, following a 12.4% hike in '81, managed just a 4.1% increase. The improvement was weighted heavily by the inability of Sears, K mart and J. C. Penney, the nation's three largest chains, to do any better than Sears' 3% add-on.

| Toy chains paced hard lines sales growth |                             |                |                             |                |                   |
|------------------------------------------|-----------------------------|----------------|-----------------------------|----------------|-------------------|
| Company                                  | 1981 Sales<br>(000 omitted) | 1981<br>Stores | 1982 Sales<br>(000 omitted) | 1982<br>Stores | % Sales<br>change |
| 1. Tandy                                 | \$1,691,000                 | 8,161          | \$2,032,555                 | 8,518          | +20.2             |
| 2. Toys "R" Us                           | 783,285                     | 120            | 1,041,735                   | 144            | +32.9             |
| 3. OTASCO                                | 291,000                     | 277            | 291,000                     | 284            | N/C               |
| 4. Child World                           | 220,347                     | 71             | 283,161                     | 79             | +28.5             |
| 5. Herman's                              | 243,000                     | 92             | 275,000                     | 95             | +13.2             |
| 6. Spencer Gifts                         | 216,190                     | 420            | 247,566                     | 435            | +14.5             |
| 7. Oshman's                              | 216,427                     | 149            | 247,264                     | 180            | +14.2             |
| 8. Lionel Leisure                        | 257,177                     | 105            | 210,892                     | 56             | -18.0             |
| 9. Kay B'sa Hobby and Toy                | 142,000                     | 270            | 183,000                     | 361            | +28.9             |
| 10. Pier 1 Imports                       | 156,484                     | 287            | 165,000                     | 274            | + 5.4             |
| Totals                                   | \$4,216,910                 | 9,952          | \$4,977,173                 | 1,426          | +18.0             |

Source: CSA Research/annual reports

N/C = No change

Moreover, both Montgomery Ward and Wickes, the latter experiencing massive business withdrawal, chalked up lower sales. Wickes came in 33.3% under '81.

As a whole, the Top 100 retailers improved sales 7.3%, slightly below the 10% forecast by CSA a year ago. This year, sales for 20 companies tracked by CSA have been running 9.5% better than '81 through the first three months. CSA is predicting the Top 100 will ring up a 12% increase this year.

Hard lines chains performed better than the market average. The hard liners, led by the toy chains and Tandy, recorded an 18% increase. Soft lines specialty stores upped their sales by 12.9%.

Of course, some problems remain. Household Merchandising is working hard to pull its operations back into the black. And Wickes remains a troubled company.

Montgomery Ward, however, may be readying some surprises for

(cont'd on p. 47)

## Earnings increase triples sales hike at Top 15 retailers

| Chain                                    | 1981<br>volume<br>(000 omitted) | 1982<br>volume<br>(000 omitted) | %<br>Change | 1981<br>earnings<br>(000 omitted) | 1982<br>earnings<br>(000 omitted) | %<br>change | Earnings<br>% sales |
|------------------------------------------|---------------------------------|---------------------------------|-------------|-----------------------------------|-----------------------------------|-------------|---------------------|
| 1. Sears, Roebuck & Co. <sup>1</sup>     | 18,228,800                      | 18,778,800                      | + 3.0       | 352,300                           | 455,900                           | +29.4       | 2.4                 |
| 2. K mart                                | 16,527,000                      | 16,772,220                      | + 1.5       | 220,300                           | 261,800                           | +18.8       | 1.6                 |
| 3. J. C. Penney <sup>2</sup>             | 11,369,000                      | 11,414,000                      | + 0.4       | 393,000                           | 430,000                           | + 9.4       | 3.8                 |
| 4. Federated <sup>3</sup>                | 5,935,600 <sup>3</sup>          | 5,423,200 <sup>3</sup>          | + 8.2       | 569,600 <sup>4</sup>              | 527,800 <sup>4</sup>              | - 7.3       | 8.2                 |
| 5. Dayton Hudson <sup>2</sup>            | 4,942,900                       | 5,660,729                       | +14.5       | 159,500                           | 198,368                           | +24.4       | 3.5                 |
| 6. Montgomery Ward                       | 5,742,000                       | 5,584,000                       | - 2.8       | (160,000)                         | (93,000)                          | —           | —                   |
| 7. F. W. Woolworth <sup>2</sup>          | 5,075,000                       | 5,124,000                       | + 1.0       | 97,000                            | 82,000                            | -15.5       | 1.6                 |
| 8. May Dept. Stores                      | 3,400,800                       | 3,653,900                       | + 7.4       | 126,203                           | 141,656                           | +12.2       | 3.9                 |
| 9. Wal-Mart                              | 2,444,997                       | 2,376,252                       | +38.1       | 82,794                            | 124,140                           | +49.9       | 3.7                 |
| 10. Allied Stores                        | 2,732,697                       | 3,215,634                       | +17.7       | 88,352                            | 90,659                            | + 2.6       | 2.8                 |
| 11. Associated Dry Goods                 | 2,751,221                       | 3,188,858                       | +15.9       | 69,774                            | 78,414                            | +12.4       | 2.5                 |
| 12. Carter Hawley Hale                   | 2,870,735                       | 3,054,764                       | + 6.4       | 44,762                            | 49,025                            | + 9.5       | 1.6                 |
| 13. R. H. Macy                           | 2,656,689                       | 2,979,391                       | +13.9       | 118,739                           | 135,571                           | +14.2       | 4.6                 |
| 14. Household Merchandising <sup>2</sup> | 2,911,100 <sup>3</sup>          | 2,926,900 <sup>3</sup>          | + 0.5       | 255,800                           | (14,900)                          | —           | —                   |
| 15. Wickes                               | 3,517,208                       | 2,638,215                       | -33.3       | (258,253)                         | (248,682)                         | —           | —                   |
| Totals and averages                      | 91,105,747                      | 94,825,381                      | + 4.1       | 1,929,871                         | 2,218,751                         | +12.6       | 2.3                 |

<sup>1</sup> U.S. Merchandising only <sup>2</sup> Consolidated continuing operations only <sup>3</sup> Excludes supermarket sales <sup>4</sup> GM operating income reported  
Source: CSA research/annual reports

## STATE OF THE INDUSTRY

the industry. Though president/chief executive officer Stephen Pistner publicly predicts to show a profit in 1984, a good fourth quarter could nudge Montgomery Ward into the earnings column in 1983. □

### Dept. stores best discounters again

□ It wasn't as lopsided as last year, but the comparisons of leading discount stores against department stores showed again that the full-margin retailers are better at recording higher financial ratios.

Of 10 yardsticks computed, department stores outperformed discounters in six and tied in another. Moreover, two of the better scores by the discounters came because they were coming off a poor year in '81, thus giving their net and operating earnings increases artificial boosts. The other yardstick discounters captured, sales per gross square foot, was the only one in which discounters beat department stores in '81.

One of the more significant measurements was the respective operating incomes per gross square foot. Department stores more than doubled the return of discount stores, \$9.41 vs. \$4.21.

In making the financial comparisons and composites for the respective tiers of retailing, *Chain Store Age* used homogeneous data wherever possible. For example, sales and operating income data for May Dept. Stores and Federated represent department store divisions only. Ratios based on net earnings reflect the companies' complete operations.

**Yardsticks:** Chains were analyzed in 10 key areas: year-to-year sales change, year-to-year net earnings change, net earnings as a per cent of sales, year-to-year change in operating income (defined as sales minus cost of goods sold, occupancy and buying expenses and selling, general and administrative expenses), operating income as a per cent of sales, sales per gross square foot, operating earnings per gross

### Wal-Mart leads pack by wide margin, Jamesway second

| Chain              | % Change sales     | % Change earnings | Net earnings % sales | % Change op. inc.  | Op. inc. % sales | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Return average equity | % Return total assets | % Change compound earnings '78-'82 |
|--------------------|--------------------|-------------------|----------------------|--------------------|------------------|-------------------------|----------------------------|-------------------------|-----------------------|------------------------------------|
| Ames               | +10.4              | +24.8             | 2.9                  | -14.3              | 9.3              | \$ 76                   | 7.03                       | 18.8                    | 7.7                   | +18.5                              |
| Hecks <sup>1</sup> | +24.3              | +19.9             | 1.5                  | +9.5               | 4.2              | 82                      | 3.41                       | 5.4                     | 2.5                   | -8.4                               |
| Jamesway           | +12.3              | +60.2             | 2.0                  | +60.2              | 4.8              | 88                      | 4.18                       | 14.3                    | 5.4                   | +4.0                               |
| K mart             | +1.6 <sup>2</sup>  | +18.8             | 1.6                  | +31.4              | 2.8              | 118 <sup>2</sup>        | 2.61                       | 10.4                    | 3.6                   | -6.6                               |
| G. C. Murphy       | +7.1 <sup>2</sup>  | +140.8            | 1.4                  | +30.9              | 6.2              | 88 <sup>2</sup>         | 4.04                       | 9.0                     | 3.9                   | +290.9                             |
| Roses              | +11.3              | +40.2             | 1.7                  | +33.0              | 3.6              | 78                      | 2.79                       | 13.6                    | 7.5                   | +12.1                              |
| Wal-Mart           | +38.1              | +49.9             | 3.7                  | +48.3              | 7.1              | 131                     | 9.33                       | 30.6                    | 10.5                  | +42.9                              |
| Zayre              | +12.7 <sup>2</sup> | +58.8             | 1.6                  | +33.6 <sup>2</sup> | 3.4              | 87 <sup>2</sup>         | 2.97 <sup>2</sup>          | 14.2                    | 4.7                   | +26.8                              |
| Composite          | +7.4               | +31.3             | 1.9                  | +32.4              | 3.7              | 112                     | 4.21                       | 13.0                    | 4.6                   | +3.1                               |

<sup>1</sup>Continuing operations only

<sup>2</sup>Discount stores only

Source: CSA research/annual reports

### Penney stays on top while Sears shows big gains

| Chain              | % Change sales | % Change earnings | Net earnings % sales | % Change op. inc. | Op. inc. % sales | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Return average equity | % Return total assets | % Change compound earnings '78-'82 |
|--------------------|----------------|-------------------|----------------------|-------------------|------------------|-------------------------|----------------------------|-------------------------|-----------------------|------------------------------------|
| Penney             | +4.0           | +9.4              | 3.8                  | +5.9              | 8.3              | \$100 <sup>2</sup>      | \$9.76                     | 14.0                    | 5.4                   | +10.3                              |
| Sears <sup>1</sup> | +3.0           | +29.4             | 2.4                  | +29.5             | 4.5              | 119 <sup>2</sup>        | 7.37                       | 10.7                    | 6.8                   | +1.7                               |
| Ward               | -2.8           | —                 | —                    | -3.5              | 3.5              | 73 <sup>2</sup>         | 3.21                       | —                       | —                     | —                                  |

<sup>1</sup>U.S. Merchandising only

<sup>2</sup>Excludes all catalog sales

Source: CSA research/annual reports

### Regional Dillard strong against nationals

| Chain                      | % Change sales     | % Change earnings | Net earnings % sales | % Change op. inc.  | Op. inc. % sales | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Return average equity | % Return total assets | % Change compound earnings '78-'82 |
|----------------------------|--------------------|-------------------|----------------------|--------------------|------------------|-------------------------|----------------------------|-------------------------|-----------------------|------------------------------------|
| Allied                     | +14.9 <sup>1</sup> | +2.6              | 2.8                  | +13.2              | 6.6              | \$82                    | \$ 6.50                    | 10.9                    | 4.0                   | +2.7                               |
| Associated Dry Goods       | +4.9 <sup>1</sup>  | +12.4             | 2.5                  | +13.8 <sup>1</sup> | 8.3 <sup>1</sup> | 86 <sup>1</sup>         | 7.10 <sup>1</sup>          | 10.7                    | 4.6                   | +23.1                              |
| Carter Hawley Hale         | +5.1 <sup>1</sup>  | +9.5              | 1.6                  | +29.2 <sup>1</sup> | 6.4 <sup>1</sup> | 92 <sup>1</sup>         | 5.90 <sup>1</sup>          | 7.3                     | 2.6                   | -6.1                               |
| Dayton Hudson <sup>2</sup> | +5.0 <sup>1</sup>  | +24.4             | 3.5                  | +27.3 <sup>1</sup> | 8.5 <sup>1</sup> | 130 <sup>1</sup>        | 10.97 <sup>1</sup>         | 15.6                    | 6.7                   | +19.4                              |
| Dillard                    | +20.0              | +35.0             | 3.1                  | +18.0              | 10.6             | 95                      | 10.05                      | 17.3                    | 5.9                   | +33.6                              |
| Federated                  | +7.1 <sup>2</sup>  | +9.0              | 3.0                  | -8.8 <sup>2</sup>  | 9.0 <sup>2</sup> | 125 <sup>2</sup>        | 11.28 <sup>2</sup>         | 11.4                    | 5.1                   | +4.3                               |
| R. H. Macy                 | +12.1              | +14.2             | 4.6                  | +18.8              | 11.0             | 134                     | 14.72                      | 18.1                    | 8.4                   | +22.3                              |
| May Co.                    | +5.3 <sup>1</sup>  | +12.2             | 3.9                  | +4.8 <sup>1</sup>  | 9.5 <sup>1</sup> | 88 <sup>1</sup>         | 4.70 <sup>1</sup>          | 14.3                    | 5.4                   | +8.9                               |
| Mercantile                 | +12.5              | +20.8             | 4.9                  | +19.4              | 9.8              | 140                     | 13.68                      | 16.4                    | 9.0                   | +15.0                              |
| Composite                  | +8.6               | +8.4              | 3.2                  | +8.4               | 8.7              | 105                     | 9.41                       | 13.0                    | 5.4                   | +10.5                              |

<sup>1</sup>Department stores only <sup>2</sup>Continuing operations only <sup>3</sup>Department and specialty stores

Source: CSA research/annual reports

square foot, return on average equity, return on total year-end assets and compound annual earnings change 1978-82.

For each yardstick chains received a ranking within their

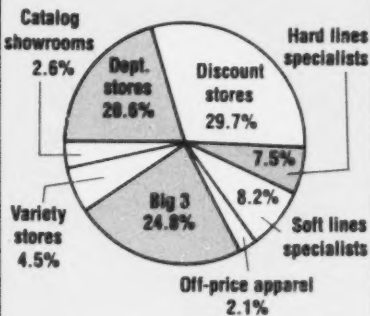
respective tiers to determine the best performers.

As measured by the 10 yardsticks, the best chains, for the fifth consecutive year, were R. H. Macy, Wal-Mart and J. C. Penney. □

# STATE OF THE INDUSTRY

## The Top 100 retailers

\$141,885,569,000



Source: CSA research

## Macy & Mercantile pack a 1-2 punch

□ Extraordinary R. H. Macy and Mercantile did it again. They finished 1-2 in the ratings, with Macy, same as last year, just one point ahead of Mercantile.

Hardly anyone would confuse the stores of the two companies. Macy, which competes against Mercantile in Toledo and Kansas City—is the more dynamic trend merchandiser. In many of its stores retailing is the theater so often talked about but rarely realized. Mercantile's success formula is much more basic. It's a market leader (even against Macy's divisions) that relies on tonnage, private label and a centralized approach to capture big profits.

Both companies prove that a department store company can remain true to its heritage and be successful. Of the 10 yardsticks tracked, Macy or Mercantile finished first in six: Macy in operating income to sales, operating income per gross square foot and return on average equity; Mercantile in net earnings to sales, sales per gross square foot and return on total assets.

As a group, department stores showed mixed results compared to '81. Sales increases slowed to 8.6% from 12%, but, more importantly, operating earnings as a per cent of sales moved ahead from 8.5% to 8.7%. Return on average equity also

## Top 100 chain stores, 1982

| 1982 rank | Company                                   | 1981 sales<br>(000 omitted) | 1981 stores | 1982 sales<br>(000 omitted) | 1982 stores | % sales change |
|-----------|-------------------------------------------|-----------------------------|-------------|-----------------------------|-------------|----------------|
| 1         | Sears' (Chicago)                          | 18,228,800                  | 851         | 18,778,800                  | 831         | + 3.0          |
| 2         | K mart (Troy, Mich.)                      | 16,527,000                  | 2,555       | 16,772,220                  | 2,370       | + 1.5          |
|           | • K mart                                  | 15,903,000                  | 2,055       | 16,152,000                  | 2,117       | + 1.8          |
|           | • Kresge/Jupiter/Furr's                   | 624,000                     | 500         | 620,000                     | 452         | - 0.6          |
| 3         | J. C. Penney (N.Y.)                       | 11,369,000                  | 2,085       | 11,414,800                  | 2,053       | + 0.4          |
| 4         | Federated <sup>2</sup> (Cincinnati)       | 5,935,600                   | 268         | 6,423,200                   | 390         | + 8.2          |
|           | • Bloomingdale's                          | 647,500                     | 16          | 680,500                     | 12          | + 5.1          |
|           | • Abraham & Straus                        | 605,000                     | 14          | 650,500                     | 15          | + 7.5          |
|           | • Foley's                                 | 547,300                     | 12          | 597,700                     | 14          | + 9.2          |
|           | • Burdine's                               | 565,500                     | 21          | 582,800                     | 23          | + 3.1          |
|           | • Bullock's (L.A.)                        | 499,900                     | 24          | 517,900                     | 26          | + 3.6          |
|           | • Gold Circle                             | 397,300                     | 36          | 501,300                     | 50          | + 26.2         |
|           | • Rich's                                  | 398,800                     | 17          | 430,100                     | 17          | + 7.8          |
|           | • Lazarus                                 | 375,500                     | 16          | 389,300                     | 17          | + 3.8          |
|           | • Filene's                                | 321,600                     | 17          | 372,800                     | 12          | + 15.9         |
|           | • Shillito Rikes                          | 342,000                     | 16          | 342,900                     | 14          | + 0.3          |
|           | • Sanger Harris                           | 290,900                     | 13          | 329,200                     | 14          | + 10.1         |
|           | • Richway                                 | 266,200                     | 23          | 321,600                     | 30          | + 20.8         |
|           | • I. Magnin                               | 257,600                     | 25          | 256,300                     | 25          | - 0.5          |
|           | • Goldsmith's                             | 125,200                     | 6           | 130,800                     | 6           | + 4.5          |
|           | • Boston Store                            | 111,500                     | 7           | 117,900                     | 8           | + 5.7          |
|           | • Bullock's North                         | 88,600                      | 6           | 93,000                      | 6           | + 5.0          |
|           | • The Children's Place                    | 54,600                      | 71          | 69,300                      | 89          | + 28.3         |
|           | • Levy's                                  | 44,300                      | 1           | 39,300                      | 2           | - 11.3         |
| 5         | Dayton Hudson (Minneapolis)               | 4,942,900                   | 925         | 5,660,729                   | 960         | + 14.5         |
|           | • Target                                  | 2,054,300                   | 151         | 2,412,400                   | 167         | + 17.3         |
|           | • Mervyn's                                | 1,062,300                   | 80          | 1,350,200                   | 92          | + 27.1         |
|           | • Hudson's                                | 658,100                     | 19          | 683,800                     | 19          | + 3.9          |
|           | • Dayton's                                | 410,100                     | 16          | 437,300                     | 16          | + 6.6          |
|           | • B. Dalton                               | 319,300                     | 579         | 374,300                     | 662         | + 17.2         |
|           | • Lechmere                                | 184,800                     | 6           | 188,000                     | 6           | + 14.1         |
|           | • Diamonds                                | 140,300                     | 13          | 143,000                     | 13          | + 1.9          |
|           | • John A. Brown                           | 77,000                      | 6           | 86,100                      | 6           | + 11.8         |
| 6         | Montgomery Ward (Chicago)                 | 5,742,000                   | 389         | 5,584,000                   | 389         | - 2.2          |
|           | • Jefferson Ward <sup>2</sup>             | 553,000                     | 51          | 565,000                     | 50          | + 2.2          |
| 7         | F. W. Woolworth (N.Y.)                    | 5,075,000                   | 5,014       | 5,124,000                   | 5,124       | + 1.0          |
|           | • U.S. Woolworth                          | 1,606,000                   | 1,263       | 1,707,000                   | 1,306       | + 1.2          |
| 8         | May Dept. Stores <sup>2</sup> (St. Louis) | 3,400,800                   | 1,273       | 3,653,900                   | 1,468       | + 7.4          |
|           | • Ventura                                 | 611,500                     | 45          | 680,300                     | 47          | + 11.3         |
|           | • May California                          | 634,000                     | 33          | 654,500                     | 34          | + 3.2          |
|           | • Hecht Co.                               | 379,300                     | 22          | 415,300                     | 23          | + 9.5          |
|           | • Famous Barr                             | 336,000                     | 14          | 363,500                     | 15          | + 8.2          |
|           | • Volume Shoe                             | 268,900                     | 1,089       | 319,000                     | 1,279       | + 18.6         |
|           | • Kaufmann's                              | 250,900                     | 10          | 268,600                     | 10          | + 3.3          |
|           | • May-Cleveland                           | 178,600                     | 10          | 189,000                     | 10          | + 5.8          |
|           | • Meier & Frank                           | 163,600                     | 7           | 176,500                     | 7           | + 7.9          |
|           | • G. Fox                                  | 145,600                     | 8           | 152,600                     | 8           | + 4.8          |
|           | • O'Neill's                               | 138,600                     | 10          | 140,100                     | 10          | + 1.1          |
|           | • May D&F                                 | 129,800                     | 9           | 136,100                     | 10          | + 4.9          |
|           | • Strauss                                 | 101,600                     | 9           | 100,500                     | 9           | - 1.1          |
|           | • May-Cohens                              | 53,400                      | 6           | 57,900                      | 6           | + 8.4          |
| 9         | Wal-Mart (Bentonville, Ark.)              | 2,444,997                   | 491         | 3,378,252                   | 541         | + 38.1         |
| 10        | Allied Stores <sup>2</sup> (N.Y.)         | 2,732,997                   | 512         | 3,215,634                   | 533         | + 17.8         |
|           | • Jordan Marsh (N.E.)                     | 376,000                     | 14          | 410,000                     | 14          | + 10.8         |
|           | • The Bon                                 | 350,000                     | 35          | 370,000                     | 35          | + 5.7          |
|           | • Joske's                                 | 320,000                     | 28          | 340,000                     | 28          | + 6.3          |
|           | • Stern's                                 | 280,000                     | 15          | 310,000                     | 15          | + 10.7         |
|           | • Maas Bros.                              | 250,000                     | 19          | 270,000                     | 19          | + 8.0          |
|           | • Jordan Marsh (Fla.)                     | 210,000                     | 13          | 240,000                     | 14          | + 14.3         |
|           | • Brooks Bros.                            | 180,000                     | 28          | 180,000                     | 34          | + 12.5         |
|           | • Pomeroy's                               | 115,000                     | 14          | 120,000                     | 14          | + 4.3          |
|           | • Miller & Rhoads                         | 105,000                     | 22          | 110,000                     | 22          | + 4.8          |
|           | • Bonwit Teller                           | 95,000                      | 13          | 110,000                     | 13          | + 15.8         |
|           | • Donaldson's                             | 95,000                      | 9           | 100,000                     | 9           | + 5.3          |
|           | • Garfinkel's                             | 83,000                      | 10          | 90,000                      | 10          | + 8.4          |
|           | • Millers                                 | 75,000                      | 11          | 80,000                      | 11          | + 6.7          |
|           | • Read's                                  | 60,000                      | 5           | 70,000                      | 5           | + 16.7         |
|           | • Block's                                 | 65,000                      | 9           | 70,000                      | 9           | + 7.7          |



# STATE OF THE INDUSTRY

edged up to 0.5% to 13%, and compound earnings growth increased 0.3% to 10.5%. Overall earnings growth, however, advanced just 8.4% vs. 14.4% a year ago.

A strong third-place finisher was Dillard. The Little Rock-based chain of 65 stores captured first place three times (sales and earnings increases and compound growth) and second twice for operating income to sales and return on average equity.

Despite its much improved year, Carter Hawley Hale remained an underachieving company. It came in (as it did in '81) last (Allied finished just barely ahead of it). Carter Hawley Hale ranked lowest in five of the 10 yardsticks and next to last in two others. □

## Wal-Mart reigns, Jamesway second

□ There's hardly a word that hasn't been written touting Wal-Mart. The Arkansas-based discounter fell behind its '81 performance in only two yardsticks: the sales acceleration clocked in at 38.1% vs. 48.8% and the growth in operating income registered "only" 48.3% compared to 56.4%.

But Sam Walton and his associates need not worry. They appear to be rolling strongly along, with little drag from the Kuhn's-Big K acquisition of '81.

Wal-Mart led in six of the yardsticks, including sales and operating income per gross square foot, two areas where the Kuhn's stores have shown remarkable turnaround. When acquired, for example, the Kuhn's units produced just about \$55 in sales per square foot.

Though a distant place finisher, Jamesway scored a clear second. It produced consistent numbers, hitting the extremes in only two areas: it was first in the per cent of change in operating income and sixth in compound growth.

K mart came in last. It had the lowest sales and earnings gains, and was lowest in operating income as a per cent of sales and operating in-

Top 100 chain stores, 1982

| 1982 rank | Company                                    | 1981 sales<br>(000 omitted) | 1981 stores | 1982 sales<br>(000 omitted) | 1982 stores | % sales change |
|-----------|--------------------------------------------|-----------------------------|-------------|-----------------------------|-------------|----------------|
| 11        | Associated Dry Goods <sup>2</sup> (N.Y.)   | 2,751,221                   | 245         | 3,188,858                   | 311         | +15.9          |
|           | • Caldor <sup>4</sup>                      | 779,223                     | 74          | 925,191                     | 79          | +18.7          |
|           | • Lord & Taylor                            | 525,000                     | 37          | 565,000                     | 39          | + 7.6          |
|           | • J. W. Robinson (Calif.)                  | 380,000                     | 21          | 415,000                     | 21          | + 9.2          |
|           | • L. S. Ayers                              | 186,000                     | 12          | 190,000                     | 13          | + 2.2          |
|           | • Sibley                                   | 160,000                     | 14          | 164,000                     | 14          | + 2.5          |
|           | • Joseph Horne                             | 155,000                     | 13          | 160,000                     | 13          | + 3.2          |
|           | • Stix Beer Fuller                         | 142,000                     | 13          | 142,000                     | 12          | N.C.           |
|           | • Denver Dry Goods                         | 111,000                     | 12          | 115,000                     | 12          | + 3.6          |
|           | • Hahne                                    | 101,000                     | 8           | 104,000                     | 8           | + 3.0          |
|           | • Goldwaters                               | 87,000                      | 9           | 91,000                      | 9           | + 4.6          |
|           | • Robinson's (Fla.)                        | 88,000                      | 7           | 74,000                      | 7           | + 8.8          |
|           | • Stewart's (Ky.)                          | 64,000                      | 7           | 66,000                      | 7           | + 3.1          |
|           | • Pogue's                                  | 63,000                      | 5           | 65,000                      | 5           | + 3.2          |
|           | • Powers Dry Goods                         | 43,000                      | 7           | 45,000                      | 7           | + 4.7          |
| 12        | Carter Hawley Hale <sup>2</sup> (L.A.)     | 2,870,735                   | 948         | 3,054,784                   | 1,026       | + 6.5          |
|           | • Broadway So. California                  | 690,000                     | 40          | 720,000                     | 40          | + 4.3          |
|           | • Emporium-Capwell                         | 455,000                     | 20          | 482,000                     | 21          | + 5.9          |
|           | • Neiman-Marcus                            | 388,000                     | 16          | 420,000                     | 19          | + 8.2          |
|           | • John Wanamaker's                         | 399,000                     | 16          | 355,000                     | 16          | + 4.7          |
|           | • Walden Books                             | 300,000                     | 740         | 345,000                     | 802         | +15.0          |
|           | • Weinstock's                              | 172,000                     | 12          | 180,000                     | 12          | + 4.7          |
|           | • Thalheimer                               | 170,000                     | 25          | 178,000                     | 25          | + 5.3          |
|           | • Holt Renfrew                             | 165,000                     | 18          | 165,000                     | 17          | N.C.           |
| 13        | R. H. Macy <sup>2</sup> (N.Y.)             | 2,656,689                   | 92          | 2,979,391                   | 92          | +13.9          |
|           | • Macy's-N.Y.                              | 215,000                     | 15          | 900,000                     | 16          | +10.4          |
|           | • Bambergers                               | 770,000                     | 23          | 900,000                     | 23          | +16.9          |
|           | • Macy's-Calif.                            | 665,000                     | 21          | 750,000                     | 21          | +12.8          |
|           | • Davison's                                | 210,000                     | 12          | 225,000                     | 13          | + 7.1          |
|           | • Macy's Midwest                           | 196,000                     | 21          | 200,000                     | 19          | + 2.0          |
| 14        | Household Merch. (Chicago)                 | 2,911,100                   | 3,963       | 2,926,900                   | 3,768       | + 0.5          |
|           | • T.G. & Y.                                | 1,914,170                   | 934         | 2,121,100                   | 901         | +10.8          |
|           | • Ben Franklin                             | 858,000                     | 1,683       | 825,000                     | 1,679       | - 3.8          |
| 15        | Wickes (San Diego)                         | 3,517,208                   | N/A         | 2,638,215                   | N/A         | -33.3          |
| 16        | BATUS <sup>2</sup> (N.Y.)                  | 1,557,000                   | 95          | 2,410,000                   | 178         | +54.8          |
|           | • Marshall Field's & Co. <sup>4</sup>      | 1,193,960                   | 77          | 1,183,314                   | 77          | - 0.9          |
|           | • Saks                                     | 704,000                     | 32          | 740,000                     | 34          | + 5.1          |
|           | • Gimbel's-N.Y.                            | 250,000                     | 10          | 255,000                     | 10          | + 0.2          |
|           | • Gimbel's-Milwaukee                       | 180,000                     | 11          | 184,000                     | 11          | + 2.2          |
|           | • Gimbel's-Philadelphia                    | 160,000                     | 10          | 162,000                     | 10          | + 0.1          |
|           | • Gimbel's-Pittsburgh                      | 146,000                     | 7           | 148,000                     | 7           | + 0.1          |
|           | • Kohl's                                   | 107,000                     | 17          | 140,000                     | 22          | +50.9          |
| 17        | Zayre (Framingham, Mass.)                  | 1,797,139                   | 567         | 2,139,613                   | 617         | +19.1          |
|           | • Zayre                                    | 1,433,348                   | 258         | 1,615,999                   | 267         | +12.7          |
|           | • Hit or Miss; T. J. Maxx                  | 363,791                     | 309         | 523,617                     | 353         | +43.9          |
| 18        | Lucky <sup>2</sup> (Dublin, Calif.)        | 1,893,900                   | 911         | 2,054,100                   | 1,029       | + 8.5          |
|           | • Gemco/Memco                              | 1,269,000                   | 86          | 1,381,000                   | 80          | + 8.0          |
| 19        | Tandy Corp. (Fort Worth)                   | 1,691,000                   | 8,161       | 2,032,555                   | 8,518       | +20.2          |
| 20        | McCrory Corp. (N.Y.)                       | 1,804,000                   | 1,773       | 1,741,000                   | 1,792       | - 3.5          |
|           | • McCrory                                  | 762,000                     | 729         | 760,000                     | 718         | - 0.3          |
|           | • Lerner                                   | 717,000                     | 767         | 682,000                     | 790         | - 4.9          |
|           | • OTASCO                                   | 291,000                     | 277         | 291,000                     | 284         | N/C            |
| 21        | Best Products (Richmond, Va.)              | 1,109,604                   | 100         | 1,581,850                   | 202         | +42.5          |
| 22        | Belk Stores <sup>2</sup> (Charlotte, N.C.) | 1,365,000                   | 350         | 1,495,000                   | 360         | + 9.5          |
| 23        | Mercantile <sup>2</sup> (Harrison, N.Y.)   | 1,269,491                   | 84          | 1,428,385                   | 84          | +12.5          |
|           | • Gayfers                                  | 225,000                     | 12          | 250,000                     | 12          | +11.1          |
|           | • McAlpin's                                | 215,000                     | 9           | 240,000                     | 9           | +11.6          |
|           | • The Jones Store                          | 130,000                     | 7           | 150,000                     | 7           | +15.4          |
|           | • Castner Knott Co.                        | 125,000                     | 10          | 140,000                     | 10          | +12.0          |
|           | • Joslins                                  | 110,000                     | 7           | 125,000                     | 8           | +13.6          |
|           | • Gayfers/Montgomery Fair                  | 100,000                     | 6           | 115,000                     | 6           | +15.0          |
|           | • J. B. White                              | 90,000                      | 6           | 100,000                     | 6           | +11.1          |
|           | • Bacons                                   | 85,000                      | 5           | 95,000                      | 6           | +11.8          |
|           | • Lion                                     | 70,000                      | 3           | 80,000                      | 3           | +14.3          |
| 24        | Melville <sup>4</sup> (Harrison, N.Y.)     | 1,060,130                   | 1,697       | 1,384,331                   | 1,697       | +30.6          |
| 25        | W. R. Grace (N.Y.)                         | 1,206,000                   | 504         | 1,334,000                   | 613         | +10.6          |
| 26        | Service Merch. (Nashville)                 | 1,027,093                   | 122         | 1,195,283                   | 139         | +16.4          |
| 27        | SCOA (Hills) (Canton, Mass.)               | 1,057,573                   | 93          | 1,155,051                   | 99          | + 9.2          |
| 28        | Fred Meyer <sup>4</sup> (Portland, Ore.)   | 1,000,000                   | 66          | 1,065,000                   | 68          | + 6.5          |
| 29        | Toys "R" Us (Rochele Park, N.J.)           | 783,285                     | 120         | 1,041,735                   | 144         | +32.9          |
| 30        | Edison Bros. (St. Louis)                   | 951,436                     | 2,114       | 915,900                     | 2,169       | - 3.8          |
| 31        | Meijer <sup>4</sup> (Grand Rapids)         | 820,000                     | 51          | 885,000                     | 50          | + 8.0          |
| 32        | Bradlees (Braintree, Mass.)                | 718,790                     | 91          | 871,636                     | 106         | +21.3          |
| 33        | G. C. Murphy (McKeesport, Pa.)             | 617,823                     | 435         | 622,282                     | 422         | + 0.5          |
| 34        | The Limited (Columbus, Ohio)               | 364,900                     | 422         | 721,394                     | 825         | +97.7          |
| 35        | Dillard's (Little Rock)                    | 592,867                     | 56          | 711,323                     | 65          | +19.9          |
| 36        | INTERCO <sup>2</sup> (St. Louis)           | 672,137                     | 869         | 685,700                     | 847         | + 2.0          |

# STATE OF THE INDUSTRY

come per gross square foot. It was next to last on return on assets and compound growth. Still, there appears to be rejuvenation within the chain, and 1983 could well mark a big comeback year for the Troy, Mich.-based discount giant. □

## Penney tops; Sears gains momentum

□ J. C. Penney remained on top among the Big 3, but Sears is showing strong momentum that could catapult it into the lead at the close of the current fiscal year.

For '82, though, Penney took the honors by virtue of leading Sears and Montgomery Ward in six categories. The victory, however, was somewhat tainted by the fact that Penney went down in half of the yardsticks, including the rates of sales and net and operating earnings increases. In addition, its return on total assets and sales per gross square foot went down slightly. (Sales per gross square foot for the Big 3 were calculated by dividing gross square foot into retail sales exclusive of catalog, even sales at catalog service desks inside stores.)

In several key areas Penney did improve, including net and operating earnings as a per cent of sales and operating income per gross square foot. Sears beat 81's figures in seven of the 10 yardsticks. Its rebound began in '81, so it had trouble matching the sales and earnings, net and operating, increases. But other areas produced handsome comparisons: earnings to sales per cent increased from 1.9% to 2.4%; operating income per gross square foot went from \$4.07 to \$7.37, and return on assets climbed from 5.4% to 6.8%. Sales per gross square foot totaled \$119, vs. \$114 in '81.

Ward saw its losses cut substantially in '82. But sales for the year were lower compared to a gain in '81, and operating income also slipped, though operating income as a per cent of sales remained constant at 3.5%. □

Top 100 chain stores, 1982

| 1982 rank | Company                                                | 1981 sales<br>(000 omitted) | 1981 stores | 1982 sales<br>(000 omitted) | 1982 stores | % sales change |
|-----------|--------------------------------------------------------|-----------------------------|-------------|-----------------------------|-------------|----------------|
| 37        | Rose's (Henderson, N.C.)                               | 594,760                     | 234         | 661,903                     | 238         | +11.3          |
| 38        | Nordstrom's (Seattle)                                  | 522,050                     | 34          | 612,944                     | 36          | +17.4          |
| 39        | U.S. Shoe Corp. (Cincinnati)                           | 457,700                     | 712         | 583,235                     | 950         | +27.4          |
| 40        | Cook's United (Maple Hts., Ohio)                       | 583,574                     | 118         | 580,954                     | 116         | + 0.3          |
| 41        | Petrie (Secaucus, N.J.)                                | 529,800                     | 791         | 566,882                     | 871         | + 6.9          |
| 42        | Super Valu <sup>2</sup> (Green Bay)                    | 515,700                     | 274         | 581,500                     | 291         | +12.8          |
|           | • ShopKo                                               | 336,900                     | 32          | 389,500                     | 36          | +15.6          |
|           | • County Seat                                          | 178,000                     | 242         | 192,000                     | 255         | + 7.4          |
| 43        | Alexander's (N.Y.)                                     | 523,552                     | 16          | 506,781                     | 15          | - 3.2          |
| 44        | Cole National (Cleveland)                              | 487,600                     | 1,636       | 500,300                     | 1,700       | +22.7          |
| 45        | Strawbridge & Clothier (Phila.)                        | 425,000                     | 26          | 471,900                     | 31          | +10.9          |
|           | • Clevco <sup>3</sup>                                  | 143,000                     | 15          | 160,900                     | 17          | +11.9          |
| 46        | H. J. Wilson (Baton Rouge)                             | 402,941                     | 70          | 458,178                     | 75          | +13.7          |
| 47        | Hart Schaffner & Marx (Chicago)                        | 442,000                     | 310         | 456,000                     | 274         | + 3.2          |
| 48        | The Gap (San Bruno, Calif.)                            | 417,385                     | 522         | 444,829                     | 545         | + 6.6          |
| 49        | Ames (Rocky Hill, Conn.)                               | 383,091                     | 130         | 422,806                     | 136         | +10.4          |
| 50        | Fedco <sup>3</sup> (Santa Fe Springs, Calif.)          | 435,000                     | 7           | 462,236                     | 8           | - 7.5          |
| 51        | Heck's (Charleston, W. Va.)                            | 321,310                     | 119         | 399,284                     | 96          | +24.0          |
| 52        | C. R. Anthony Co. (Okla. City)                         | 366,000                     | 299         | 396,000                     | 296         | + 8.2          |
| 53        | Woodward & Lothrop (D.C.)                              | 334,843                     | 16          | 357,539                     | 16          | + 6.8          |
| 54        | Zody's (Los Angeles)                                   | 299,452                     | 48          | 352,000                     | 50          | +17.5          |
| 55        | Pamida (Omaha) <sup>4</sup>                            | 333,842                     | 173         | 350,000                     | 166         | + 4.9          |
| 56        | Apparel Retail Corp. <sup>5</sup> (Mass.)              | 393,000                     | N/A         | 338,000                     | 375         | +11.6          |
| 57        | Jamesway (Secaucus, N.J.)                              | 296,200                     | 64          | 332,500                     | 68          | +12.3          |
| 58        | Carson Pirie Scott (Chicago)                           | 311,067                     | 24          | 323,414                     | 24          | + 4.0          |
| 59        | Consumers Distrib. <sup>1</sup> (Edison, N.J.)         | 252,051                     | 100         | 309,013                     | N/A         | +22.6          |
| 60        | Times Square (Brooklyn)                                | 290,000                     | 21          | 301,000                     | 21          | + 3.8          |
| 61        | Gateway <sup>6</sup> (St. Louis)                       | 270,000                     | N/A         | 301,000                     | 325         | +11.5          |
| 62        | Dollar Gen. (Scottsville, Ky.)                         | 245,453                     | 826         | 290,000                     | 883         | +18.2          |
| 63        | Elder-Beerman (Dayton)                                 | 235,166                     | 167         | 262,456                     | 197         | +11.6          |
| 64        | S. E. Nichols (N.Y.)                                   | 249,000                     | 43          | 262,000                     | 42          | + 5.2          |
| 65        | Loehmann's <sup>6</sup> (Bronx, N.Y.)                  | 240,000                     | 53          | 260,000                     | 61          | + 8.3          |
| 66        | Grand Central (Salt Lake City)                         | 236,000                     | 32          | 256,000                     | 32          | + 8.4          |
| 67        | Spencer Gifts (Pleasantville, N.J.)                    | 216,190                     | 420         | 247,586                     | 435         | +14.5          |
| 68        | Oshman's (Houston)                                     | 216,427                     | 149         | 247,354                     | 180         | +14.2          |
| 69        | D. H. Holmes (New Orleans)                             | 228,997                     | 28          | 240,716                     | 29          | + 9.9          |
| 70        | Glosser Bros. (Gee Bee, Pa.)                           | 171,085                     | 35          | 223,733                     | 37          | +30.8          |
| 71        | Miller Wohl (Secaucus, N.J.)                           | 228,952                     | 367         | 222,375                     | 310         | + 0.6          |
| 72        | Prange (Prangeway) (Green Bay)                         | 226,700                     | 29          | 221,840                     | 29          | - 2.1          |
| 73        | Duckwall-ALCO (Abilene, Kan.)                          | 199,193                     | 115         | 216,282                     | 114         | + 8.6          |
| 74        | Hess's (Allentown, Pa.)                                | 211,000                     | 29          | 215,000                     | 29          | + 1.9          |
| 75        | Higbee (Cleveland)                                     | 206,340                     | 12          | 215,000                     | 12          | + 4.2          |
| 76        | Brooks Fashions (N.Y.)                                 | 179,146                     | 453         | 211,540                     | 500         | +18.1          |
| 77        | Lionel Leisure (Philadelphia)                          | 257,177                     | 105         | 216,893                     | 58          | -31.0          |
| 78        | B. Altman & Co. <sup>6</sup> (N.Y.)                    | 195,000                     | 6           | 210,000                     | 6           | + 7.7          |
| 79        | Family Dollar (Charlotte, N.C.)                        | 161,712                     | 455         | 207,419                     | 529         | +14.1          |
| 80        | Jewelco (Wilkes-Barre, Pa.)                            | 171,085                     | 26          | 189,000                     | 25          | +10.5          |
| 81        | Bi-Mart (Eugene, Ore.)                                 | 169,000                     | 26          | 186,531                     | 30          | +10.6          |
| 82        | Bergner's <sup>6</sup> (Peoria, Ill.)                  | 181,000                     | 25          | 186,000                     | 25          | + 2.7          |
| 83        | Ann & Hope <sup>6</sup> (Cumberland, R.I.)             | 166,000                     | 4           | 185,000                     | 5           | +11.4          |
| 84        | Howland-Stainbach, Hochschild Kohn, (Woodbridge, N.J.) | 186,300                     | 38          | 185,000                     | 38          | - 1.8          |
| 85        | Wieboldt Stores (Chicago)                              | 177,000                     | 15          | 179,000                     | 14          | + 0.7          |
| 86        | Ohrbach's (N.Y.)                                       | 164,000                     | 12          | 175,000                     | 12          | + 6.7          |
| 87        | Hart's Family Centers <sup>6</sup> (Columbus, Ohio)    | 157,000                     | 21          | 175,000                     | 24          | +11.5          |
| 88        | Charming Shoppes (Bensalem, Pa.)                       | 143,871                     | 258         | 174,272                     | 298         | +21.1          |
| 89        | Fisher's Big Wheel (New Castle, Pa.)                   | 163,975                     | 68          | 169,250                     | 69          | + 3.2          |
| 90        | White Stores                                           | 166,000                     | 81          | 166,000                     | 81          | N/C            |
| 91        | Sym's (N.Y.)                                           | 142,000                     | 11          | 152,000                     | 11          | + 7.0          |
| 92        | Danner's 3D (Indianapolis)                             | 131,848                     | 57          | 151,145                     | 57          | +14.6          |
| 93        | J. Byron's (Miami)                                     | 148,900                     | 39          | 166,400                     | 43          | +13.1          |
| 94        | Younker's (Des Moines)                                 | 164,506                     | 29          | 166,638                     | 29          | + 1.4          |
| 95        | Pier 1 Imports (Fort Worth)                            | 156,484                     | 287         | 165,000                     | 274         | + 5.4          |
| 96        | Boscov's (Reading, Pa.)                                | 150,000                     | 8           | 165,000                     | 9           | +16.0          |
| 97        | Sprouse-Reitz (Portland, Ore.)                         | 151,573                     | 328         | 150,545                     | 322         | - 0.7          |
| 98        | Winn's (San Antonio)                                   | 134,357                     | 228         | 149,353                     | 228         | +11.2          |
| 99        | ZCMI (Salt Lake City)                                  | 134,203                     | 8           | 141,263                     | 8           | + 5.3          |
| 100       | W. E. Walker (Jackson, Miss.)                          | 142,240                     | 365         | 139,000                     | 350         | + 1.8          |
| Totals    |                                                        | 132,265,111                 | 48,887      | 141,085,569                 | 52,187      | + 7.3          |

Divisional totals are not duplicated in the tabulation of United States general merchandise chain totals. <sup>1</sup> United States merchandising operations only. <sup>2</sup> Excludes supermarket sales. <sup>3</sup> Divisional sales estimated. <sup>4</sup> Sales are for full year. <sup>5</sup> Estimated sales. <sup>6</sup> Apparel and toy divisions only. N/A = Not available. N/C = No change.

Source: CSA research/annual reports/SEC Forms 10K.



## Store of the future accents merchandise + presentation

□ This month Sears will open its much heralded "store of the future"—the Miami International mall unit will pull together departmental merchandise and presentations successfully tested independent of each other and previously arranged in a Vernon Hills, Ill., remodeled store. The tests, say Sears executives, not only pumped volume up but also contributed to more sales at full margin. In short, the store of the future appears to be a retailer's dream: a vehicle that can add sales and profits.

Sears has shown a remarkable ability to revive profits despite a still anemic sales growth. U.S. Merchandising income in '82 hit a record \$455.9 million, up 29.4%, on only a 3% sales gain to \$18.8 billion. This improvement follows a 60.7% earnings jump on an 8.3% sales boost in '81. Improvement continued into the first quarter of '83 when losses from domestic merchandising narrowed from \$17.1 million to \$12.7 million on a 4.6% sales increase.

The thrust of Sears strategy is to generate profits by concentrating

on merchandise and presentation improvements. Though some national brands are finding their ways into the mix, the emphasis remains on private label, particularly on lines that Sears can develop into na-

tional franchises similar to its Craftsman and Kenmore lines. As it did with Cheryl Tiegs, Sears will use Arnold Palmer, Evonne Goolagong as names to entice.

In apparel it is aiming for a younger, more stylish customer with its Silver Unicorn and Boston Athletic Club offerings. And it has revamped much of its home furnishings department with a coordinated Open Home collection.

The merchandise initiatives will be highlighted through a store system that is slated for considerable overhaul. By the end of this year Sears expects to spend 75% of its \$400 million capital expenditures budget on remodels. It will totally redo four stores (Oak Brook, Ill., Bethesda, Md., Valley View in Dallas, and Torrance, Calif.), while installing updated sporting goods, telephone and lingerie departments in all 831 stores. New home improvement departments will go into 31 more units.

In addition, it will place "price lookup" systems in 90% of its stores by year end. Financial centers will go into 100 stores this year and another 150 in '84.

Five more paint and hardware stores are slated for test this year, while the Business Systems Centers are on hold at 45 units pending a review of their profit potential. □

### Sears continues trimming its organization

□ Better gross margins contributed greatly to the net income improvement. Cost of goods sold, buying and occupancy expenses went down from 67.7% of sales to 66.3% in '82. Customers preferred higher-quality goods which carried better gross margins. In addition, Sears benefited from a shift in the LIFO adjustment from a pretax charge of \$94.3 million in '81 to a pretax credit of \$27.4 million.

Though selling, general and administrative expenses went up 0.5% to 29.2% of sales, Sears continued to trim its organization. It reduced its buying department by two to 33 and its administrative field groups by five to 41.

| Year         | Sales*       | Profits*  | Stores      |
|--------------|--------------|-----------|-------------|
| 1978         | \$17,263,100 | \$426,800 | 851         |
| 1979         | 16,813,000   | 362,100   | 849         |
| 1980         | 16,831,000   | 219,500   | 854         |
| 1981         | 18,229,000   | 352,300   | 851         |
| 1982*        | 18,779,000   | 455,900   | 831         |
| '78-'82 chg. | +8.8         | +6.8      | -20 (-2.4%) |

\*000 omitted. Source: CSA research.  
'Fiscal year ended Dec. 31, 1982.

Sears operated 20 fewer stores at year end vs. '81, though gross square footage increased by 700,000 sq. ft. to 114.6 million. Seventeen of the 26 shuttered stores (six new ones opened) were small hard liners. Sales, excluding catalog, on a gross sq. ft. basis increased from \$114 to \$119. □





## K mart eyes comeback with in-store concepts

□ The nation's largest discounter appears to be emerging from a financial quagmire that resulted in a 50.2% drop in profits from 1978 through 1981. Although K mart's 1982 sales were up only 1.5%, from \$16.5 billion to nearly \$16.8 billion, profits increased by 18.8%.

Last year K mart toppers moved to reverse a two-year downward profit trend by slashing increases in operating costs (selling, general and administrative expenses were held to their smallest percentage gain, up 6.2% in '82, in over a decade), implementing new merchandising programs, installing electronic information systems and closing unprofitable stores.

In a reversal of K mart's growth-through-expansion policy, company officials last year closed eight K mart units, 361 automobile service centers and 66 Kresge and Jupiter variety store outlets. The result: profits jumped to \$261.8 million from \$220.3 million in '81. (Earnings per share increased from \$1.75 in '81 to \$2.06.)

The chain, however, accelerated

its remodeling program which included new home improvement centers, health and beauty aids departments, bath shops, kitchen shops (known as Kitchen Korner), housewares and consumer electronics departments.

K mart also launched a diversification drive by rolling out the first of the Designer Depot off-price apparel outlets. The new stores, speculation has it, will open in many of the vacant Kresge and Jupiter units. Company officials say they will open a minimum of 30 Designer Depots this year, which are apparently targeted at a blue-collar, middle-class shopper.

K mart also stepped up the expansion of its food-service chain, the 98-unit Furr's Cafeterias Inc. Last year 19 Furr's were rolled out compared to seven in '81. In another food-service venture, K mart has been experimenting with two family restaurant-entertainment centers called "Abra K Dabra."

This year, company officials say they will open 75 K mart stores and close another 17 discount units in August. Only two years ago, K mart opened 178 stores.

The big test for K mart may come in 1984 since this year's profit and sales results will be compared against weak '82 statistics. But K mart officials apparently feel that new in-store merchandising concepts—such as Kitchen Korner, Brand Names for Less and new hardware/home improvement departments—will return the chain to the lofty position it held before more innovative, regional, upscale discounters began chipping away at the mighty 21-year-old chain. □

### Meldisco becomes K mart's profit partner

□ Meldisco, a Melville Corporation subsidiary, is becoming an increasingly important contributor to K mart's profit picture. The Troy, Mich.-based discounter owns 49% of Meldisco, which operates all of K mart's domestic footwear departments.

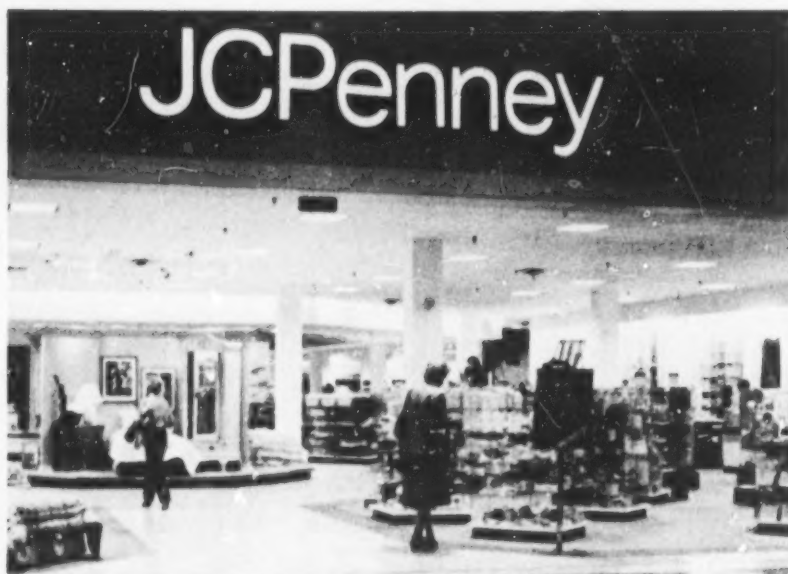
In 1982, Meldisco accounted for 12.2% (\$31.9 million) of K mart's strengthening profits compared with 10.2% in '80. In '81, Meldisco contributed \$27.7 million to K mart's weak net profit figure, accounting for 12.6% of the discounter's earnings.

Meldisco's net sales were

| Year              | Sales*       | Profits*  | Stores        |
|-------------------|--------------|-----------|---------------|
| 1978              | \$11,696,000 | \$344,000 | 1,891         |
| 1979              | 12,731,000   | 358,000   | 2,069         |
| 1980              | 14,204,000   | 261,000   | 2,242         |
| 1981              | 16,527,000   | 220,300   | 2,374         |
| 1982 <sup>†</sup> | 16,772,200   | 261,800   | 2,370         |
| '78-'82 chg.      | +43.4%       | -23.9%    | +479 (+25.3%) |

\*000 omitted. Source: CSA research.  
<sup>†</sup>Fiscal year ended Jan. 26, 1982.

\$759.2 million in 1982—10.3% more than sales in fiscal year 1981. The footwear operation's total net income in 1982 was \$62.2 million compared with \$57.2 million in 1981—an 8.7% hike. □



## Repositioning a priority program for J. C. Penney

□ While retreating from a number of its traditional sales categories, J. C. Penney still eked out a 0.4% increase in sales, up to a record \$11.4 billion. At the same time, the nation's No. 3 retailer made significant progress in its program to reposition its medium- and large-size department stores.

Income from continuing operations rose 9.4% to \$430 million from \$393 million in 1981. But automotive operating losses of \$10 million and a \$42 million provision for closing the centers resulted in reported net income of \$392 million, just 1.3% ahead of 81's \$387 million. The '82 figure also reflected \$14 million set aside two years ago to close The Treasury, but was not needed.

Corporate attention was focused on refining the new prototype with a merchandise mix (75% soft lines, 25% hard lines) that emphasizes family apparel, home furnishings and leisure lines.

Earlier this year, the company announced its decision to discontinue several departments—auto service, major appliances, fabrics, hardware, paint and candy—which accounted for 2.1% of sales, or \$242 million in '82. But Penney feels the

new merchandise mix will more than make up for lost sales and provide higher markups and better margins.

### Metro store group increases sales

□ Penney restructured its store classifications during 1982 with its newly designated metropolitan department stores accounting for 66.8% of total sales.

These 576 stores (28.2% of the total corporate store roster), located in premier regional malls, saw volume jump 4% over 81's \$7.3 billion, hitting \$7.6 billion. Comparable stores showed a 1.3% increase with sales per square foot averaging \$161, up \$1 from the previous year.

Sales for the 228 metropolitan soft lines stores were down 11.6% to \$891 million while the smaller-market "geographic" store volume fell 0.3% to \$1.4 billion. Both divisions reported decreases in comparable store sales (6.1% soft lines, 2.2% geographic) and sales per square foot (soft lines stores down \$5 to \$155, geographic down \$2 to \$142).

Gross margins improved 0.7% in '82 to 32.5% due to the new mix.

With repositioning a priority program, \$1 billion has been budgeted for capital expenditures over a five-year period to remodel older units and install the new merchandising concept.

J. C. Penney Financial Services showed a decline in income to \$22 million from \$29 million in '81 due to higher underwriting costs. Deciding to concentrate on insurance sales through in-store centers and direct marketing, the Great American Reserve Insurance Company, which sold insurance through an agency sales force, was sold for a gain of \$18 million.

J. C. Penney Systems Services was formed to market a nationwide electronic communications network to other corporations. Penney also signed a letter of intent with First Bank System Inc. of Minneapolis for its FirstHand videotex pilot program, which provides services such as telebanking, teleshopping plus the latest news, weather and stock updates, a preliminary move toward providing high-tech services to business and financial operations. □

| Year              | Sales*       | Profits** | Stores      |
|-------------------|--------------|-----------|-------------|
| 1978              | \$ 9,951,000 | \$291,000 | 2,096       |
| 1979              | 16,352,000   | 270,000   | 2,111       |
| 1980              | 10,824,000   | 283,000   | 2,119       |
| 1981              | 11,369,000   | 393,000   | 2,077       |
| 1982 <sup>1</sup> | 11,414,000   | 430,000   | 2,048       |
| '78-'82 chg.      | +14.7%       | +47.8%    | -50 (-2.4%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 29, 1983.

<sup>2</sup>From continuing operations.

Catalog sales were up 1.3% to \$1.7 billion with comparable catalog outlets showing overall volume growth of 0.9%.

Drug store sales increased 6.4% to \$485 million while Belgian operations accounted for \$565 million in sales, a drop of 24.5% reflecting the strengthening of the United States dollar against the Belgian franc. Measured in francs, however, comparable stores increased 4.4%. □



## Discount divisions will lead strong profit recovery

□ Profits for Federated Department Stores may have taken a tumble in 1982, but the stage is now set for solid growth this year and increasing gains in 1984.

Operating profits from continuing operations for Federated's department, specialty and discount chains dropped 7.3% to \$527.8 million compared to 1981. A very aggressive expansion program was blamed for much of the decline, according to Wall Streeters, as was last year's recessionary economy.

In addition to the acquisition of the 65-unit Children's Place specialty chain (since expanded to 89 stores), Federated opened 17 new department stores and 21 discount outlets (including seven Twin Fair stores in upstate New York). This was the largest one-year expansion program in the company's history, increasing the number of stores by 37.7%. From 1977 through 1981, the number of stores increased less than 5% annually.

With a return to a more normal growth rate during 1983 and 1984, Prudential-Bache retail analyst David C. Taylor sees a "substantial reduction in preopening costs, less red ink from new stores to be absorbed by the existing store base

and accelerated sales and profits as the [new stores] begin to mature."

Gold Circle, Federated's 50-unit discount chain with stores in Ohio,

Kentucky, New York and Pennsylvania, chalked up a net sales gain of 26.2%, the biggest in the company. "Previously existing stores enjoyed a double-digit increase, the best sales performance in Federated," according to chairman/ceo Howard Goldfeder.

Under the leadership of chairman John W. Burden III, Abraham and Straus continued its upward trend from 1981. While sales rose 7.5% last year, compared to 10.5% in 1981, "operating profit showed important growth for the second year in a row," notes Goldfeder, "and the division improved its competitive position in each of its markets."

Looking to 1984, Federated will diversify with a chain of "value-oriented soft goods stores" targeted at the middle market. John H. Eyler, who had been pres./ceo of the May Department Stores' May D&F division, will head up the as-yet unnamed chain. Goldfeder notes that unlike other Federated divisions with their regional strengths, "We expect the new division to be highly transportable and expandable to new geographic regions." □

### Recession's end spells relief for Federated

□ Three recession-generated factors took their toll on Federated's profits last year, but the budding economic recovery should give a big boost to earnings in 1983 and 1984.

Interest expense jumped a whopping 44.5% last year to \$96.8 million. But according to Prudential-Bache analyst David C. Taylor, 1981 interest charges were artificially low due to cash generated by the sale of two shopping centers late in 1980. This caused the apparently high jump in 1982. Taylor says interest expenses should decline slightly this year.

The late arrival of the recession in the Sunbelt impacted very strongly on Federated's stores there which accounted for 58% of corporate sales. The recovery may also lag in the Sunbelt, causing a slow '83 but stronger '84.

| Year              | Sales <sup>*1</sup> | Profits <sup>*2,3</sup> | Stores       |
|-------------------|---------------------|-------------------------|--------------|
| 1978              | \$4,552,700         | \$456,100               | 337          |
| 1979              | 4,923,700           | 465,900                 | 346          |
| 1980              | 5,319,900           | 487,400                 | 358          |
| 1981              | 5,935,600           | 569,600                 | 369          |
| 1982 <sup>1</sup> | 6,393,200           | 527,800                 | 508          |
| '78-'82 chg.      | +46.4%              | +15.7%                  | 171 (+50.7%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 29, 1983.

<sup>2</sup>Excludes supermarkets.

<sup>3</sup>Operating profits.

Sales in Florida, Texas and California were hurt by other specific economic problems—off-shore currency fluctuations and problems in the domestic oil industry. Even if these problems are not resolved, their incremental effects will be largely moderated by the end of this year.

A conservative estimate of earnings growth for 1983 is +13% and for '84 a 21% gain is projected, according to Taylor. □





## Target & Mervyn's remain old reliable powerhouses

□ Dayton Hudson Corp. reported increases in sales and earnings for the 10th consecutive year.

Net sales rose 14.5% from 1981's \$4.9 billion to \$5.7 billion in 1982. Target and Mervyn's remain the company's strengths, contributing nearly two-thirds of the sales, while the company's third growth division—B. Dalton bookstores—performed “below expectations,” says Kenneth Macke, president and ceo.

Corporate earnings totaled \$198.4 million, an increase of 24.4% over 1981's \$159.5 million, while operating profit rose from \$577.1 million to \$718.7 million. At Hudson's alone, operating income increased 45% in 1982 over the previous year due to a reorganization of management and the closing of the downtown Detroit store as of January 1983. Woburn, Mass.-based Lechmere continued to turn around, and was a prime factor in the 18% jump in operating income for the specialty group last year.

However, poor showings at the 13-store Diamond's and six-store John A. Brown divisions had little impact on operating profit and net sales due to their small sizes. Macke

adds that the competitiveness of the Southwest affected Diamond's overall performance, while at John A. Brown, he says, “When oil dropped, we dropped with it.”

### Hudson's leads department stores

□ The department store group showed much improvement in 1982 over 1981. Net sales were up 5%, totaling nearly \$1.4 billion as compared with just under \$1.3 billion in 1981, while operating income rose 27.3% to \$114.4 million. This follows a decline in operating profits in 1981 over 1980 of 4.4%.

Hudson's was the No. 1 factor in the department stores' upswing. By the end of '82, it had closed its Detroit-based flagship and added a 103,000-sq.-ft. store in Lansing, Mich., leaving the division with a total of 5,134,000 sq. ft.

Operating income rose 45% due to the shuttered store and a realignment of management. Sales for the 19-unit division

For the first time in three years, corporate gross margin broke 30% with the 1982 figure at 30.1%. Macke mainly attributes this to improvements in “the gross margin rate and sales” at Target.

Capital expenditures for 1983 will total \$475 million. The company will open 39 Target stores (already this year introducing this division to California and with a planned move in Arizona next month, increasing it to 206 units), 17 Mervyn's (bringing the total to 109 stores), one Hudson's department store in Battle Creek, Mich., and 60 B. Dalton stores (increasing this division to 722 units). Lechmere continues to upgrade and remodel its units having unveiled a new prototype in Manchester, N.H., last year.

Macke also notes that the company will have “at least one and no more than two” new businesses under observation at all times. The debut of off-pricer “Plums . . . The Elegant Discounter” in three southern California locations in March is an example of this new strategy. By 1984, the company plans six more stores for this new division within the specialty store group with speculators guessing it will travel cross-country to the East Coast. □

| Year            | Sales*       | Profits*   | Stores             |
|-----------------|--------------|------------|--------------------|
| 1978            | \$2,961,900* | \$ 97,600* | 588                |
| 1979            | 3,384,800    | 126,500    | 661                |
| 1980            | 4,033,500    | 138,200    | 831                |
| 1981            | 4,942,900    | 159,500    | 925                |
| 1982            | 5,660,700    | 195,400    | 981                |
| '78-'82<br>chg. | + 91.1%      | + 103.3%   | + 393<br>(+ 66.8%) |

\*000 omitted. Source: CSA research.

†Fiscal year ended Jan. 29, 1983.

\*Consisted of 53 weeks.

jumped from \$658.1 million in 1981 to \$683.8 million, or a 3.9% increase.

Dayton's, too, had a good year. Operating profit was up 16% and sales rose 7% to \$437.3 million. It trimmed its square footage by 14,000 sq. ft. to 3,348,000 sq. ft. by reducing the downtown stores. □

# Montgomery Ward



## Scalpel wielding Pistner cuts back Ward's losses

□ Pres./ceo Stephen Pistner is well into his third year at the helm of a far slimmer Montgomery Ward. Following a near textbook turnaround strategy, Pistner has stemmed the red ink drain. But few analysts see even a glimmer of light at the end of the tunnel despite Pistner's bold boast that Ward will turn a profit next year.

After concentrating on getting his management team in place during his first year, Pistner spent year two cutting fat. Gone are roughly 20,000 employees. Warehouses have been cut from 150 to 43 (the Denver center will close July 1) and catalog distribution centers from nine to seven. And more than a quarter of the truck fleet has been scrapped.

In-store, the first stage of re-merchandising Ward also took shape with brand names proliferating and Ward's never-much-of-a-factor private labels being ushered out or, at the most, playing supporting roles to recognizable names.

Nevertheless, Ward still lost \$93 million last year, although that marks a \$67 million improvement on 1981. That gain, however, is credited to the \$100 million savings in operating expenses, cuts in capital spending (down 52.1% to \$69 million) and savings in operating, selling, general and administrative outlays, trimmed 6.2% to under \$1.1 billion.

Even with the cuts, Ward's pre-

tax profits remained in the red, amounting to a \$136 million loss in '82 vs. \$217 million in losses in '81.

Ward tested a number of selling formats last year—shopping carts

in Iowa, an upscaled look in southern California and more discount-oriented appearance in Merrillville, Ind. The store to watch this year could be in Ford City, Ill., where the second phase of Ward's Impac program debuted recently. Incorporating a number of the experiments tested elsewhere in '82, Ward's future could hinge on the store's showing.

Over the next two years Mobil's top management will change hands with new decisionmakers expected to be less committed to saving the Chicago drain, leading most analysts to believe '83 is crucial for Ward. And the keepers of Mobil's checkbook appear unwilling to invest heavily in what may be a lost cause. Ward will spend a mere \$30 million this year to transform 60 stores to the Impac II design. That's nearly \$10 million less per store than the chain spent to invade the Philadelphia market with its ill-fated Jefferson Ward cluster. □

### Cuts aside, sales remain stagnant

□ Operating, selling, general and administrative expenses, down. Capital spending, slashed. Payroll, trimmed. Warehouse, catalog distribution centers, the truck fleet—all scaled down.

All these factors—not to mention net write-offs, largely blamed on bad customer credit, down 5.8% to \$113 million—helped Montgomery Ward improve its losses last year and into 1983's first quarter, when the profit drain dropped to \$19 million from a \$44 million loss last year.

But there appears to be a growing malaise in the chain's primary business, selling merchandise, and analysts fear the brand-names-in-a-reformatted-selling-environment cure may be too little, too late.

Last year Ward's sales slumped nearly 2.8% to under \$5.6 billion with only one less store than in 1981. More alarming, sales have remained relatively stagnant since the first \$5

| Year              | Sales*      | Profits*               | Stores         |
|-------------------|-------------|------------------------|----------------|
| 1978              | \$5,014,000 | \$119,000              | 411            |
| 1979              | 5,251,000   | 73,000                 | 419            |
| 1980              | 5,497,000   | (162,000) <sup>2</sup> | 411            |
| 1981              | 5,743,000   | (160,000) <sup>2</sup> | 390            |
| 1982 <sup>1</sup> | 5,584,000   | (93,000) <sup>2</sup>  | 389            |
| '78-'82<br>chg.   | +11.4%      | —                      | -22<br>(-5.4%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Dec. 28, 1982.

<sup>2</sup>(Loss).

billion year—1978—without factoring in inflation. And net sales-per-square-foot productivity, down to \$143 last year, is just \$10 above the level for '77 and trails the \$145 peak set in '79.

For the first quarter '83, sales climbed 5% over '82, reaching \$1.1 billion. But the '83 level remains 5.1% below first quarter '81 and only 3.2% higher than first quarter '79. In fact, to find even a hint of building sales velocity, observers must travel back to '78 when first quarter volume of \$959.3 million was 17.1% below this year's mark. □



## Loehmann's buy balances ADG strategy for 1980's

□ With its announced plan to acquire Loehmann's, the Bronx, N.Y.-based off-price pioneer, Associated Dry Goods has dropped the other shoe.

Just two years after purchasing Caldor, the upscale New England discount chain, Associated will enter its third sphere of retailing. The acquisition will round out ADG's strategic base for growth throughout the rest of the decade. William P. Arnold, ADG's chairman/ceo, calls the company's quality department stores, Caldor and, now, Loehmann's "essential market areas that will command our attention and resources in the years ahead."

Industry analysts estimate that the 61-unit off-pricer had sales of \$260 million last year and an operating profit of approximately \$20 million. This operating profit-to-sales ratio of 7.7% fits in neatly between ADG's department store average of 8.3% and Caldor's 6.4%.

Despite the premium price to be paid for Loehmann's, Prudential-Bache analyst David C. Taylor says the move will provide ADG with both high returns and exceptionally strong growth potential.

While Associated is diversifying into nondepartment store retailing through Caldor and Loehmann's, "a

substantial amount of time, energy and money will be devoted to upgrade, strengthen and expand [ADG's] presence at the top end of the quality department store business," according to Arnold.

Lord & Taylor will continue to receive the most attention from corporate headquarters. Two new stores are scheduled for opening in 1983, one in the Galleria in Fort

Lauderdale and one in West Hartford, Conn. Last year, sales for the 38-unit high-fashion store were \$565 million, a 7.6% increase over 1981.

Los Angeles-based Robinson's had an estimated 9.2% gain with sales estimated to have been \$415 million.

While the two largest divisions posted "satisfactory sales increases," overall, ADG's department stores chalked up a mediocre 4.9% sales increase. Sales improvement in 1983 should be significantly bettered both from the long-awaited strengthening in the national economy and from the conversion of the five Stewart & Co. stores in Baltimore to the Caldor format.

The results for Caldor were very strong with sales advancing 18.7% to \$925.2 million. Five stores were opened last year and 13 more are scheduled for 1983, including the Baltimore units. Caldor will also enter a new market in Long Island with four outlets.

Noting that Associated is now "properly positioned to capitalize on any sales upturn," Arnold says, "Recent sales experience offers every indication of an improvement in consumer confidence, which should translate into a sustained, although perhaps gradual, improvement in sales." □

### Loehmann's purchase raises analysts' questions

□ ADG's proposed purchase of Loehmann's for \$96 million is dividing retail analysts' ratings of the company.

Citing an expected need to obtain outside financing for the purchase, Standard & Poor's has placed ADG's senior debt and commercial paper on its "credit watch" list. Noting that the additional borrowing needed to buy Loehmann's will cut into Associated's bottom line during the next few years, S&P will reconsider ADG's current A+ rating in 90 days.

But at Prudential-Bache, retail analyst David Taylor has raised his opinion of Associated

| Year              | Sales*      | Profits* | Stores       |
|-------------------|-------------|----------|--------------|
| 1978              | \$1,605,607 | \$34,159 | 155          |
| 1979              | 1,783,212   | 43,498   | 163          |
| 1980              | 1,952,239   | 51,764   | 167          |
| 1981              | 2,751,221   | 69,774   | 245          |
| 1982 <sup>1</sup> | 3,188,858   | 78,414   | 247          |
| '78-'82 chg.      | +98.6%      | +129.6%  | +92 (+59.4%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 29, 1983.

from 1 to 2 (near long-term investment strength) to 1 to 1. The improvement in the long-term rating from "2" (accumulate) to "1" (aggressive purchase) is based on Taylor's belief "the acquisition will add [at least \$11 million] to earnings." □





## Venture profits skyrocket, ending doubt over future

□ Venture's 78.6% increase in operating income for 1982 should end any speculation about the discount division's future. Not only was the \$30 million profit nearly double 1981's million, but as a per cent of sales, earnings grew from 2.7% in '81 to 4.4% last year.

Despite the effects of the recession on St. Louis, Chicago and other markets where the 47 Venture stores are concentrated, the chain's sales grew 11.1% to \$680.3 million and operating profits took their spectacular leap. While the earnings-to-sales ratio was still short of the corporate target of 6%, the economic recovery predicted for the second half of 1983 should make that a readily attainable goal.

Among May's department stores, Baltimore-Washington's Hecht Co. reported the highest sales gain with a 9.5% increase to \$415.3 million, followed by both Famous-Barr in St. Louis and May-Cohens in Florida with increases better than 8%. Only nine-unit Strouss in recession-ridden Youngstown, Ohio, posted a sales decline, down 1.1% from \$101.6 million to \$100.5 million.

Operating income from depart-

ment stores increased only 4.8%, reflecting the inordinate amount of promotional activity last year. But, while lower than 1981's 8.4% increase, operating earnings have grown at a compound rate of 6.7% for the past five years, paralleling the 6.8% compound growth in sales.

Volume Shoe continued its surge in both sales (\$319 million) and

earnings (\$40.6 million) with 18.6% and 26.9% gains, respectively. Aggressive expansion of Volume Shoe continued last year with the opening of 190 new stores, including the January 1983 acquisition of 65 Koby's stores in southern California and Arizona. The expansion pace will slow slightly in 1983 as May redeploy assets to the Venture and department store divisions.

Following the opening of three new Venture stores, the first in three years, last October in Chicago, four stores will be opened this year. Three of the stores will be in the Oklahoma City market, a new area for Venture. Citing confidence in continued progress for the discounter, May plans on adding 19 stores between now and 1985, a 40% increase to 66 units.

A number of programs have been announced by May pres./ceo David C. Farrell aimed at helping the company achieve a return on equity in the top 25 percentile of retail companies. According to Farrell, this goal can be reached from existing businesses. Specific programs include spending \$200 million to improve productivity in existing stores by a combination of eliminating nonproductive space and refurbishing selling space, substantial investment to control expenses through automation and improved customer service systems. □

### Annual gains on track at Venture, Volume Shoe

□ While May's department store division has chalked up a relatively low 6.8% compound annual growth rate for sales since 1977, both Venture and Volume Shoe results have posted strong double-digit gains for the past five years.

Volume Shoe has reported an exceptionally strong 22.2% annual increase in sales and an equally impressive 20.3% annual gain in operating income for the five-year period, including two years prior to its acquisition by May.

At Venture, despite earnings in 1977 through 1981 below the

| Year         | Sales <sup>*1</sup> | Profits <sup>*2,3</sup> | Stores        |
|--------------|---------------------|-------------------------|---------------|
| 1978         | \$2,716,600         | \$244,900               | 809           |
| 1979         | 2,956,500           | 263,800                 | 984           |
| 1980         | 3,149,800           | 262,400                 | 1,156         |
| 1981         | 3,400,800           | 289,100                 | 1,272         |
| 1982         | 3,653,900           | 322,500                 | 1,468         |
| '78-'82 chg. | +34.5%              | +31.7%                  | +463 (+57.2%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 29, 1983.

<sup>2</sup>Operating profits.

<sup>3</sup>Retail results only.

level achieved in 1979, earnings have now reached an annual compound growth rate of 8.9% and sales have grown by 14.6% for the five years. □



## An unsettling year for venerable Woolworth

□ Woolworth ceo Edward Gibbons died suddenly in October. U.S. Woolco operations were discontinued, and the British subsidiary was sold. The executive ranks were shaken by several major departures, leaving top management solidly in the hands of long-time company insiders. Income from continuing operations dropped 15.5% to \$82 million.

It was quite a year for venerable F. W. Woolworth. And, unfortunately, most of the news was gloomy as only the Kinney division performed well although signs of revival appeared at Richman Brothers.

Corporate sales for 1982 eked out a mere 1% increase on '81, closing the year just over \$5.1 billion. U.S. Woolworth managed only a 1.2% volume gain, with sales hitting \$1.7 billion or 32.9% of total corporate sales.

Problem division Richman Brothers followed up its 1% sales decline in '81 with a 5.4% increase last year as volume rose to \$198 million. Richman's net income hit the black after two years in the red, up to \$4 million following a two-year loss totaling \$9 million.

The biggest problem continued to be \*J. Brannam. In a year ripe for off-pricers, sales soared 49.1% (even with a net loss of nine stores),

but net income slumped to a loss of \$5 million, following \$4 million losses in both '81 and '80. Brannam's travails continued as chief exec Len Williams jumped to Gold Circle two months ago, the second Brannam

boss to depart in two years.

With the closing of Woolco operations, however, the spotlight shifted to the neglected U.S. Woolworth operation. Combining the best people from both divisions, the company forged ahead with a new, major mall store prototype which opened in Cherry Hill, N.J., last November.

"Based on the results from Cherry Hill, we see a new beginning for the company," says pres. Jack Parker. "This one store has produced a 39% increase in sales through the end of March."

An additional 25 stores will be remodeled in '83 and if results meet corporate expectations, the remaining 170 major-mall stores will also be revamped within two or three years. These stores represent 25% of Woolworth's total retail space.

The recently formed Chairman Group has established long-range financial goals: an aftertax return on equity of 16%, aftertax return on investment of 11%, inflation-adjusted sales growth of 5% and annual profit increases of 10%. □

### Shoe sales enjoy healthy push

□ Kinney Shoe managed to gingerly walk through the recession of 1982, with domestic and international operations kicking in sales of \$1.1 billion along the way, 21.8% of total corporate sales.

Domestic Kinney alone contributed 31.4% of U.S. Woolworth volume, or \$910 million, an increase of 8.6% on '81. It also delivered 57.6% of domestic income, with profits climbing 6% to \$88 million. Sales per square foot averaged \$182, the best productivity rate among all divisions, an increase of \$11 over '81.

The star in Kinney's stable, Foot Locker—a leader in the athletic footwear industry—opened 99 units in '82 with a similar number scheduled for '83.

"Foot Locker is phenomenal," says Cam Anderson, Kinney pres. "Of all high performance athletic shoes sold in the United States last year, 7% were purchased in a Foot Locker store." □

| Year              | Sales*      | Profits* <sup>1</sup> | Stores        |
|-------------------|-------------|-----------------------|---------------|
| 1978              | \$4,342,000 | \$117,000             | 4,416         |
| 1979              | 4,824,000   | 126,000               | 4,647         |
| 1980              | 5,102,000   | 140,000               | 4,956         |
| 1981              | 5,075,000   | 97,000                | 5,197         |
| 1982 <sup>2</sup> | 5,124,000   | 82,000                | 5,124         |
| '78-'82 chg.      | +18.0%      | -29.9%                | +708 (+16.0%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 31, 1983.

<sup>2</sup>Continuing operations.

Building on this success, Kinney recently opened Lady Foot Locker with 30 units scheduled to debut by year-end. Lady Foot Locker sells more apparel with activewear accounting for 50% of sales vs. 22% at Foot Locker.

Anderson sees '83 as a good growth year for all the specialty shoe stores including Frugal Frank's, Fredelle and Final Cut. But he is not forgetting Kinney.

A total of 227 openings involving all Kinney groups are scheduled for '83. □



## Wal-Mart expands; tests new 'wholesale' concept

□ Bentonville, Ark.-based Wal-Mart continued its expansion drive in 1982, a year also highlighted by plans for a wholesale, price club outlet which opened in April of 1983.

Last year the 551-unit discounter (including 90 former Kuhn's-Big K stores) logged sales of nearly \$3.4 billion—up 38.1% from \$2.4 billion in 1981. Same store sales were up 11% compared with 15% in 1981 while sales-per-gross-square-foot increased by 9% from \$133 in 1981 to \$145.

Profits also increased. Wal-Mart's net income jumped 49.9% from \$82.8 million to \$124.1 million.

The chain's compound sales growth—for five years ending fiscal year 1982—was 39.1% and its compound profit growth, up a whopping 43.1%.

Wal-Mart's growth will continue unabated through the next five years, company officials say.

More than 80 new units will open by year's end while about 35 existing stores will be remodeled. Another 100 stores, company officials

say, will debut in 1984. By 1981 Wal-Mart sales are projected to top \$10 billion as the chain expands within and around its current 15-state market area.

### Big K units approach Wal-Mart standards

□ The 90 former Kuhn's-Big K sites are fast approaching the financial standards of the older Wal-Mart stores.

In 1982 Big K sales were estimated at \$433 million (the chain's previous high was only \$328.1 million in 1978) and Wal-Mart insiders expect sales to jump about 23.0% to \$533 million this year. The Big K stores' volume is currently 80%-90% of mature units.

Profits are also up. The former Big K stores broke even in fiscal 1982 and even showed a profit during the fourth quarter. As for productivity, Wal-Mart officials more than doubled the \$55-sales-per-square foot figure at the time of the Kuhn's-Big K purchase in August 1981.

More than one-third of the new 1983 sites will be former Woolco units. Wal-Mart officials scrutinized 100 of the now defunct chain's stores before choosing 28 sites which, retail insiders say, were profitable as a group.

Wal-Mart also plans to focus its efforts on existing units.

At the chain's spring merchandising meetings, company officials unveiled their new "Operation 45" promotion, an internal project designed to increase sales and profits in mature Wal-Mart units through employee motivational events and contests.

But the enterprise to watch is Wal-Mart's venture into the wholesale, price club concept.

The first Sam's Wholesale Club opened in April in Oklahoma City and plans are already under way to open two more units by this coming fall.

Company officials, however, are keeping a close eye on the impact the membership-only general merchandise/food outlet has on Wal-Mart stores surrounding Oklahoma City. While one company insider contends "the effect will be very limited," there is some concern the price club may siphon off Oklahoma City consumers who travel to shop the discounter. □

| Year              | Sales*     | Profits*  | Stores           |
|-------------------|------------|-----------|------------------|
| 1978              | \$ 900,298 | \$ 29,447 | 229              |
| 1979              | 1,248,176  | 41,151    | 276              |
| 1980              | 1,643,199  | 55,582    | 330              |
| 1981              | 2,444,997  | 82,794    | 491              |
| 1982 <sup>†</sup> | 3,376,252  | 124,140   | 552              |
| '78-'82 chg.      | + 275.0%   | + 321.6%  | + 323 (+ 141.0%) |

\*000 omitted. Source: CSA research.  
†Fiscal year ended Jan. 31, 1983.

Wal-Mart topsiders, however, are still struggling with a higher-than-average shrinkage rate at the former Big K units. The addition of the 90-store group, officials say, was directly responsible for increasing the companywide shrink rate from 1.34% in 1981 to 1.63% in 1982. □





## Loss at T.G. & Y. drags earnings to record low

□ Household Merchandising's general merchandise retail stores and wholesale operations eked out a 0.5% sales increase last year, but a disastrous price-slashing program at T.G. & Y. caused earnings to all but disappear—taking a nosedive from \$82.3 million in 1981 to \$3.1 million, a 96.2% decline.

While all of Household's retail businesses were hurt by the economic slowdown last year, T.G. & Y. was most severely impacted. As the recession increasingly encroached on the Sunbelt, T.G. & Y. executives responded with across-the-board markdowns and increased promotional activity.

At the same time, an effort to upgrade the 901-unit chain's apparel departments failed. While the expanded apparel selection with its emphasis on fashion merchandise did generate higher sales for the chain, apparel categories accounted for more than half of T.G. & Y.'s total markdowns for the year.

Although Household doesn't break out operating results for T.G. & Y. separately, the discount-er and Household's four furniture chains (1982 sales: \$146.9 million) chalked up a \$9 million operating loss. T.G. & Y. sales of \$2.1 billion were up 11.4% compared to 1981.

Another factor adversely affecting Household's bottom line was the higher than expected startup cost for the 10 AIM for the best Stores opened last year. Aside from these costs, though, the upscale offshoot is seen by T.G. & Y. top-siders as the vehicle for improved productivity through the 1980's. All 10 stores are averaging better than \$150,000 in weekly volume.

In 1983, T.G. & Y. will open 10 new Family Center stores and five AIM for the best Stores. At the

same time, 79 poorly performing units will be shuttered. These stores range in size from 7,080 to 60,000 sq. ft. and include all six stores in the Louisville, Ky., market.

At Ben Franklin, Household's variety store franchise program, a modest 4% decline in wholesale volume was posted. Operating profits also suffered due to a reduction in Household's gross margins (corporately 18.5% in '82 vs. 20% in '81), a move aimed at making the 1,679 independently owned stores more competitive.

The biggest change for Ben Franklin appears to be a major renovation and refurbishing program for store owners. More than 200 stores were remodeled in '82, and a further 190 are already scheduled for this year. Store owners who have chosen either the redesigned variety store format or the company's "home accents" prototype are reporting improving sales, according to Household's annual report.

Blaming a large part of the depressed results for last year on the economic environment, Household International pres./ceo Donald C. Clark says he expects a "slow and moderate recovery in 1983," and notes that significant improvement will not be noted until the second half of the year. First quarter results for Household Merchandising showed only a 3% sales increase. □

### Income decline is five-year problem

□ Household Merchandising's net income plummeted to its lowest level in more than 10 years in 1982, a paltry \$5.5 million—0.1% of total sales of \$5.3 billion.

While much of this decline resulted from the loss at T.G. & Y., net income has steadily declined as a percentage of sales since 1978 for the company's supermarkets, general merchandise stores, furniture stores and wholesale franchise operations.

In 1978, Household Merchandising sales were \$3.3 billion, producing a 1.9% net income of \$64.0 million. The next year, net

| Year              | Sales <sup>*2</sup> | Profits <sup>*2,3</sup> | Stores <sup>1</sup> |
|-------------------|---------------------|-------------------------|---------------------|
| 1978              | \$2,119,600         | \$114,800               | 4,695               |
| 1979              | 2,445,400           | 103,700                 | 4,617               |
| 1980              | 2,670,600           | 81,000                  | 4,619               |
| 1981              | 2,911,100           | 82,300                  | 3,963               |
| 1982 <sup>1</sup> | 2,926,900           | 3,160                   | 3,768               |
| '78-'82 chg.      | +38.1%              | -97.3%                  | -927 (-19.7%)       |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Dec. 31, 1982.

<sup>2</sup>Excludes Vons.

<sup>3</sup>Operating profits.

income dropped to 1.5% of sales. For '80 and '81, the earnings-to-sales ratio held steady at 1.0%, before collapsing to 0.1%. □

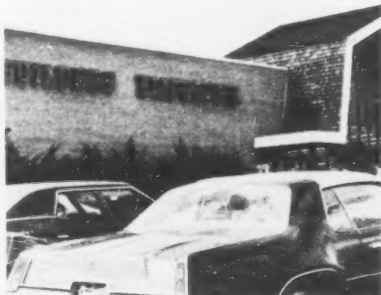
## Wickes Companies

### Signs of life in Sigoloff's patient

□ Sanford Sigoloff's one-year-old struggle to drag Wickes Companies out of Chapter XI has resulted in a major dismembering of the diversified retailer's empire. And while signs of life are appearing, the salvage job has a long way to go.

Last year Wickes sold its \$236 million agricultural division, 75% of its shares in MacGregor Golf, closed or sold 45 of 55 J. M. McDonald department stores and all of the Gambles department stores, scrubbed Aldens, House of Fabrics and Maxwell furniture to name just a few moves. Sums up a company spokesman, "Not a division wasn't touched."

The bulk of the closings are reportedly over although some stores still face the ax as do Toy World, Rasco, the remaining J. M. McDonald's, Farmaster and Wickes Engineered Materials—all divisions



| Year              | Sales*      | Profits*   | Stores             |
|-------------------|-------------|------------|--------------------|
| 1978              | \$1,782,124 | \$34,378   | 377                |
| 1979              | 1,963,589   | 39,701     | 393                |
| 1980              | 2,876,973   | 8,276      | 1,268              |
| 1981              | 3,517,208   | (-258,253) | 3,176 <sup>2</sup> |
| 1982 <sup>1</sup> | 2,638,215   | (-248,682) | 1,627 <sup>2</sup> |
| '78-'82 chg.      | +48.0%      | —          | +1,250 (+331.6%)   |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 29, 1983.

<sup>2</sup>Includes company-owned and franchised stores.

yet to be divested.

So considering the amputation of 1,549 company-owned stores and franchise ventures over the past 12 months, Wickes' 25% decline in volume in 1982 isn't as bad as it looks. Another plus was the improvement in losses, declining nearly \$10 million. And the profit drain from continuing operations improved more than \$40 million, down to \$143.4 million.

Sigoloff also reports that "excluding the reserves" for the divisions yet to be shed, Wickes earned a pre-tax profit of \$8.1 million from continuing consolidated operations in the fourth quarter.

Still to be settled, however, is the \$1.6 million in debt—\$563 million inherited as part of the Gamble-Skogmo takeover, the move most analysts say snapped Wickes' back—the company owes its creditors. Wickes has proposed a combination of notes, cash, debentures and stock, hoping to develop multiple plans of reorganization with the four individual creditor committees. □

## Zayre

### Specialty chains head profit parade

□ Maurice Segall, pres./ceo, has never been shy about closing unprofitable stores. That strategy, along with the meteoric growth of the specialty store division, has catapulted Zayre to the top of the retail industry.

In the past five years, Zayre's compound sales growth has been 11.3%; compound profit growth, 26.8%, and compound operating income growth, 21.5%. In 1982 sales were up 19.1% from \$1.8 billion in 1981 to \$2.1 billion.

Since the mid-1970's Zayre top-siders have closed 29 discount stores and another 109 Hit or Miss units (since 1978) in an effort to exploit profitable outlets and provide cash to expand the specialty chains.

In March, Segall told a security analysts meeting in New York that the company will close 10 to 15 discount stores annually over the next

five years. The discount store division will slowly expand from 264 to 300 stores by 1986. "Our ultimate objective is improved profitability," Segall said. "We do not plan at this time to expand [the discount division] aggressively, but concentrate our energies on those stores already in place."

The company will add about 2 million sq. ft. of space per year "for the next several years," Segall added, most of which will be specialty stores.

By the end of 1986, T. J. Maxx (an off-price, family apparel chain) will expand from 87 to 200 outlets. The

23,500-sq.-ft., on average, T. J. Maxx units—now located as far west as Denver—"will eventually push to the West Coast," Segall said. Hit or Miss (an off-price woman's apparel chain) will expand from 267 to 600 stores by the end of 1986 and may also appear on the West Coast. The Hit or Miss are 4,000-sq.-ft. outlets and target "career women" shoppers.

The westward drive plans fueled speculation that Zayre is considering buying the 50-store Zody's chain from bankrupt HRT industries. Segall will only say, "We are always reviewing possibilities."

The numbers show why Zayre top-siders are bullish on their specialty divisions. From fiscal year 1978 to fiscal year 1982 compound sales growth has been 32.3%, compared with 8.2% for the discount division, and compound operating income growth was 54.7% (9.3% for the discounters). The specialty division expanded at a 54.1% rate since 1978 compared with only a 5.2% rate for the discount wing. □

| Year              | Sales*      | Profits* | Stores        |
|-------------------|-------------|----------|---------------|
| 1978              | \$1,394,109 | \$13,594 | 480           |
| 1979              | 1,549,729   | 16,643   | 528           |
| 1980              | 1,594,235   | 17,574   | 531           |
| 1981              | 1,797,139   | 22,147   | 567           |
| 1982 <sup>1</sup> | 2,139,616   | 35,176   | 617           |
| '78-'82 chg.      | +53.5%      | +158.8%  | +137 (+28.5%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 29, 1983.

## Mercantile Stores

### Trimming fat by merging divisions

□ Management's conservative fiscal policies have paid off again for Mercantile Stores. Net sales topped \$1.4 billion, marking a 12.5% increase over 1981's \$1.3 billion figure. Profits rose 20.8% to \$69.9 million from \$57.9 million and gross margins increased for the third consecutive year to 32.5% from 1981's 32.1%.

The emphasis was on improving same-store sales, expanding divisions slowly, one store at a time. For comparable stores in '82, sales were up 11.9%. Mercantile's debt to equity ratio was 26.7%, the lowest it has been in the past 10 years.

| Year              | Sales*     | P.offs*  | Stores   |
|-------------------|------------|----------|----------|
| 1978              | \$ 922,141 | \$39,991 | 84       |
| 1979              | 1,067,937  | 42,606   | 84       |
| 1980              | 1,108,076  | 42,294   | 83       |
| 1981              | 1,269,491  | 57,895   | 84       |
| 1982 <sup>1</sup> | 1,428,385  | 69,941   | 84       |
| '78-'82 chg.      | +54.9%     | +74.9%   | +0 (+0%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 31, 1983.

Last year the company closed one store within its Canadian division, The Right House, and opened a new Bacons in Louisville, Ky. The latter departed from recent company strategy which has been to close older, innercity stores while opening new units in area suburbs.

Additionally, the company reduced costs while improving merchandising by merging seven of its

17 divisions, leaving a total of 14 operating divisions. The Greenville, S.C.-based White's merged with Augusta, Ga.-based White's. Root's in Terre Haute, Ind., combined with Bacons. And Billings, Mont.-based Hennessy's, Duluth, Minn.-based Glass Block and Fargo, N.D.-based deLendrecie's form another division.

This year, the company plans to spend \$46 million generated from within and from mortgaging new stores for two new stores and six remodels. The new stores will be added to Joslins, Denver, Colo.

The company indicates an upscale direction for 1983 with this year's annual report. It is the first since 1974's annual to feature in-store, upscale photography instead of traditional store sketches. □

## Carter Hawley Hale

### Earnings recover from merger effect

□ Although it took longer than pres./ceo Philip Hawley anticipated, Carter Hawley Hale finally appears to be outrunning the problems encountered since 1980's decision to merge The Emporium and Capwell's into one division and split The Broadway into two.

"It is a pleasure to report significant improvement in the company's performance toward the close of fiscal 1982," says Hawley. "Net earnings for the fourth quarter were up 51.2%."

For the year, net income rose 9.5% to \$49 million from 81's \$44.8 million, reversing a two-year earnings decline. Sales topped \$3 billion, from \$2.9 billion in '81, on a 6.4% increase.

The rebound in earnings resulted from improved operating profits of the department stores and specialty merchandising operations (Contempo Casuals and Waldenbooks). The department store segment reported a 29.2% increase, with operating earnings reaching \$130.6 million from 81's \$101.1 million, while specialty merchandisers contributed \$27.8 million, a 33% increase.

However, the high-fashion spe-



| Year              | Sales*      | Profits* | Stores        |
|-------------------|-------------|----------|---------------|
| 1978              | \$2,116,586 | \$63,271 | 671           |
| 1979              | 2,408,028   | 69,062   | 753           |
| 1980              | 2,632,921   | 57,341   | 855           |
| 1981              | 2,870,735   | 44,762   | 948           |
| 1982 <sup>1</sup> | 3,054,754   | 49,025   | 1,026         |
| '78-'82 chg.      | +44.3%      | -22.5%   | +355 (+52.9%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 29, 1983.

cialty stores (Bergdorf Goodman, Holt Renfrew and Neiman-Marcus) offset these gains with operating profits slumping 35.2% to \$43.7 million from \$67.4 million.

Additionally, the specialty merchandising operations had the largest '82 sales gain at 16.7%, with \$399.6 million in volume, followed by the department stores with a 5.1% increase to over \$2 billion. The high-fashion specialty stores managed only a 4.7% gain, up to \$628.7 million. Similar to last year, the department stores contributed more than two-thirds of corporate sales.

CHH continues its emphasis on updating its data processing, an effort that should wind down by year-end, and will distribute another 110 common information systems throughout all its divisions, boosting the total of systems to 210. This program is expected to be more cost-efficient and will help improve merchandising.

Capital expenditures for the next five years will be \$600 million; a reduction of \$100 million from last year's plan. Seven new stores will open: Emporium Capwell will add two, Thalhimers will enter a new market, in Memphis, Tenn., with one store, Holt Renfrew will open two and Neiman Marcus will open two. Bergdorf Goodman continues to remodel its New York flagship. □



## Bradlees

### Marching upscale profits south

□ It's no mystery why Boston-based Stop & Shop Companies Inc., is staking its future on Bradlees. From 1978 through 1982, the upscale discounter's compound sales growth was 15.3% and its compound profit growth 19.5%. "We consider Bradlees as the greatest potential for increases in volume, return on investment and earnings per share," corporate pres./ceo Avram Goldberg told a Boston analysts' meeting earlier this year.

In 1982 Bradlees dominated the Stop & Shop lineup which includes supermarkets, Medi Mart drug stores, Off the Rax off-price apparel stores and C.B. Perkins tobacco shops. The 106-unit chain accounted for 37.2% of total company sales (33.2% in 1981) and 74.9% of Stop & Shop profits (64.2% in 1981).

With corporate mandate in hand, Bradlees topsiders will continue an expansion course which will include, for the first time, the Bal-



| Year         | Sales*    | Profits* | Stores          |
|--------------|-----------|----------|-----------------|
| 1978         | \$493,033 | \$24,743 | 76              |
| 1979         | 540,057   | 28,199   | 83              |
| 1980         | 634,286   | 15,720   | 89              |
| 1981         | 718,790   | 25,940   | 91              |
| 1982'        | 871,636   | 50,474   | 106             |
| '78-'82 chg. | +76.8%    | +104%    | +30<br>(+39.5%) |

\*000 omitted. Source: CSA research.  
'Fiscal year ended Jan. 30, 1982.

timore and Washington, D.C., markets. A company-record 20 stores will debut by the end of this year—all in previously occupied buildings (last year, Bradlees opened 16 stores including its first units in the Richmond, Va., market). The Bradlees expansion strategy, in fact, is to fill voids left by bankrupt retailers.

Last year Bradlees purchased 12 Two Guys sites [nine in New Jersey alone] and 13 Memco stores from Lucky Stores Inc. "Given the short term, maybe the long-term real estate environment, we need to aggressively pursue existing real estate to recycle as Bradlees stores," Goldberg said. "There's turmoil [in retailing] and this turmoil provides an opportunity for us to grow."

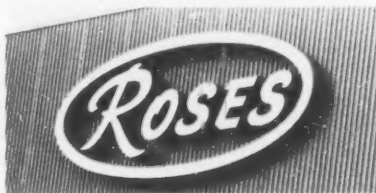
Bradlees has also embarked on an existing store remodeling program. Some 70 of its 106 units are now considered "new stores" as company officials continue to incorporate department store principles such as boutiqueing ("Living," "Housewares," and "Kitchen" concepts) and more service departments that target the chain's primarily female shoppers. □

## Rose's

### Cautious spending sends net soaring

□ The physical changes at Rose's are apparent. Finetuning the chain's upscaled format appears to have been well received in its Sunbelt markets. Volume last year climbed a respectable 11.3% with sales topping \$661.9 million from only a net gain of four stores (seven units were closed and 11 opened).

Behind the scenes, however, a strategic emphasis on earnings rather than gross sales resulted in a stellar performance for Rose's—spongy economy or not. Net income soared 40.2%, closing last year just under \$11.6 million. Selling, general and administrative expenses were held under 20% of sales for the fourth year in a row. More importantly, the chain's revamp program was conducted with a cautious eye on outlays.



Sources report that upgrading rehab costs were held around \$6.25 to \$6.50 per square foot including \$1.50 for POS equipment alone. Renovation costs, therefore, were roughly the same as more than a decade ago when Rose's spent

| Year         | Sales*    | Profits* | Stores         |
|--------------|-----------|----------|----------------|
| 1978         | \$500,055 | \$ 7,310 | 227            |
| 1979         | 497,747   | 8,719    | 227            |
| 1980         | 526,288   | 6,348    | 235            |
| 1981         | 594,760   | 8,242    | 234            |
| 1982'        | 661,903   | 11,559   | 238            |
| '78-'82 chg. | +32.4%    | +58.1%   | +11<br>(+4.8%) |

\*000 omitted. Source: CSA research.  
'Fiscal year ended Jan. 26, 1983.

around \$5 per square foot to set up a store.

But changes in the prototype format, installed in about 15 stores in '82, were considerable. Including the two-year-old stepped-up apparel and housewares departments, the latest revisions feature an off-center entrance, leading shoppers directly into soft lines, increased wall merchandising and an 8-ft. race track vs. the old-style, 15-ft.-wide drive aisle. More departments will be revamped this year with consumer electronics receiving additional space and selections, especially in computers and telephones.

Rose's also expects to slightly increase its store opening program, with 14 units expected to bow, and will probably decelerate the remodeling efforts.

"We're very optimistic," says David Rose, vp/finance and treasurer. "We see great potential [for '83] unless the Fed gets carried away and throws water on everybody." □

## Service Merchandise

### Catalog showroom sales push higher

□ Coming off a heady 1981 performance when sales first topped the \$1 billion level, Service Merchandise Co. kept the momentum alive and ended fiscal 1982 with net sales of \$1.2 billion, a jump of 16.4%.

Service, the nation's second largest catalog-showroom retailer, increased net income 36.8% over 1981 to \$31.6 million. Comparable-store sales showed a respectable 6.2% increase, down from the 11.1% increase shown in 1981's banner year.

But the company did not rest on past achievements during 1982. It acquired the seven-unit Sam Solomon Co. based in South Carolina and broke ground for a \$40 million, 100,000-sq.-ft. corporate office complex in Brentwood, Tenn. Service also phased out its six-unit toy specialty chain.



For the future, the company plans to further refine its two pro-

totype operations—the 30,000-sq.-ft. mini-showroom and the upscale model which spotlights jewelry, their highest product category.

Silent Sam, the customer-operated ordering terminal, currently in 25% of the showrooms, will be installed in the remainder of the units this year.

Service ended 1982 with a strengthened financial position from the offering of \$35 million convertible debentures and 1.06 million shares of common stock. □

| Year              | Sales*     | Profits* | Stores       |
|-------------------|------------|----------|--------------|
| 1978              | \$ 528,014 | \$22,228 | 83           |
| 1979              | 729,759    | 19,463   | 99           |
| 1980              | 865,017    | 20,389   | 113          |
| 1981              | 1,027,093  | 23,069   | 116          |
| 1982 <sup>1</sup> | 1,195,263  | 31,569   | 139          |
| '78-'82 chg.      | +126.4%    | +42%     | +56 (+67.5%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 1, 1983.

## Best Products

### New direction seen after buying binge

□ It was quite a year for Best Products. The catalog showroom operator bought Basco (11 of 19 showrooms remain) and capped off six years of talk by acquiring Modern Merchandising's 72 outlets. But Best isn't standing pat as emphasis shifts from volume gains to profits and diversifications.

Last year sales climbed 42.6%, reaching nearly \$1.6 billion, and net income hit \$28.8 million, up 44.2%. But over the past five years, Best's net profit-to-sales ratio has eroded from 4.1% in 1978 to 1.8% the last two years.

A major brand names domestics program—competing with department stores rather than the Big 3—debuted late last year in a move to trade-up and bolster margins which have eroded from 25.2% in '78 to about 23.8% in '82. Best has also revamped its backbone department, jewelry, in its new prototypes which bowed in the Dallas/Fort



Worth area in March.

Competition from discounters and a tripling of retail square footage in the catalog showroom industry in the 70's have limited Best's expansion prospects. The chain will open seven new showrooms this year while moving away from its standard 60,000- to 65,000-sq.-ft. format to be more opportunistic in site selection. A lean 30,000-sq.-ft. unit and an 80,000-sq.-ft. megashowroom with expanded toys and sporting goods departments will be tested this year.

But sources speculate that Best's specialty chains will be prime vehicles for growth. Data Base, a four-store microcomputer chain launched last March, will add 12 units this year. Best acquired Ashby's Ltd. the same month and immediately began converting the nine-store apparel specialist to a high-quality, off-price operation. Some five or six Ashby's are planned for '83. And Best topsiders refuse to categorically deny reports corporate will spin off a chain of 200 to 300 self-standing jewelry stores over the next five years. □

| Year              | Sales*                 | Profits*            | Stores             |
|-------------------|------------------------|---------------------|--------------------|
| 1978              | \$ 526,068             | \$21,485            | 51                 |
| 1979              | 696,830                | 26,625              | 62                 |
| 1980              | 841,803                | 21,676              | 75                 |
| 1981              | 1,109,064              | 19,983              | 100                |
| 1982 <sup>1</sup> | 1,581,650 <sup>2</sup> | 28,820 <sup>2</sup> | 202 <sup>2,3</sup> |
| '78-'82 chg.      | +200.7%                | +34.1%              | +151 (+296.1%)     |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 29, 1983.  
<sup>2</sup>Includes results of Basco and Modern Merchandising from June 28 and Oct. 2, respectively.  
<sup>3</sup>Includes 4 Data Base and 9 Ashby's specialty stores.

## Tandy Corp.

### Radio Shack hits record earnings

□ Tandy Corp.'s strategy of positioning its 6,381 U.S. Radio Shack stores as leading-edge retailers of electronic technology paid off in 1982 by generating a 20.2% increase in sales and a 32.1% gain in net income.

Despite recessionary pressures that have battered the bottom lines for most retailers during the past three years, Tandy continued the upward trend in its net income to sales ratio. Last year, net income was 11.0% of sales compared to 10.0% in 1981. In fact, the net income ratio has increased every year since 1978 when it was 6.2%.

"The most significant marketing program for 1982 was the computer department concept," according to Tandy chairman/ceo John V. Roach. Last year more than 450 computer departments were established in

| Year              | Sales*      | Profits*  | Stores        |
|-------------------|-------------|-----------|---------------|
| 1978              | \$1,059,324 | \$ 66,146 | 5,790         |
| 1979              | 1,215,483   | 83,229    | 5,842         |
| 1980              | 1,384,637   | 112,235   | 5,955         |
| 1981              | 1,691,373   | 169,602   | 6,178         |
| 1982 <sup>1</sup> | 2,032,555   | 224,085   | 6,381         |
| '78-'82 chg.      | +91.9%      | +238.8%   | +591 (+10.2%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended June 30, 1982.

full-line Radio Shack stores and 250 more are planned for 1983.

As a mini-computer pioneer, Tandy has accounted for more than a quarter of all mini-computer sales since 1981. While this market share is projected to decline as more and more manufacturers enter the burgeoning market, this decline is not expected to seriously hurt margins due to the uniqueness of the company's TRS-80 product line.

"With our manufacturing efficiencies, design capabilities and distribution and marketing strengths, the overall impact of price competi-

tion should not be a major problem on our margins," explains Roach.

Tandy will continue to maintain its strong position in the computer marketplace by introducing new models, like the micro-size Model 100, and improving accessories.

And, in keeping with the Tandy tradition of innovative retailing as the computer market stabilizes, the company is already branching out into new areas to maintain its sales velocity. This month, Radio Shack begins selling its \$99.95 pocket pager. High costs have limited the pager market to approximately 2.5 million units in use today, but analysts predict that as many as 20 million pagers will be in use at the end of the decade.

Tandy is also developing a strong position in the communications market with its Radio Shack Telephone Centers. Aimed at the small business customer requiring up to 40 telephones, four stores have been opened and more are scheduled for later this year. □

## Cole National Corp.

### Child World leads corporate growth

□ Two full years after acquiring Child World/Children's Palace, Cole National Corp. is still excited about the chain's potential. "We see room for improvement in 1983 and in the years ahead," says Boake Sells, Cole president.

Corporate sales, showing improvement for the 11th consecutive year, were up 22.7% to \$500.3 million, with Child World accounting for 56.6% of total volume. The toy chain reported sales of \$283.2 million, an increase of 28.6% over 81's \$220.3 million, and reported same-store sales increases of 19%.

Child World currently operates 79 stores with plans to open 10 to 12 additional units this year. But it has "the potential to double in size by the mid-1980's," says Sells.

Cole National operates six retail chains in addition to Child World: Things Remembered, Key Shop-Mr. Key, The Original Cookie Com-



| Year              | Sales*    | Profits* | Stores        |
|-------------------|-----------|----------|---------------|
| 1978              | \$145,586 | \$ 4,922 | 1,426         |
| 1979              | 158,030   | 5,661    | 1,522         |
| 1980              | 173,992   | 6,705    | 1,607         |
| 1981              | 407,662   | 8,740    | 1,636         |
| 1982 <sup>1</sup> | 500,319   | 12,720   | 1,673         |
| '78-'82 chg.      | +243.7%   | +198.4%  | +247 (+17.3%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 29, 1983.

pany, Le Four Francais, Optical Departments (at Sears and Ward) and The Craft Showcase.

The Craft Showcase, which had the worst profit picture in '81 since Cole acquired the company in '71, performed a little better last year. "Sales were down, but an improved cost structure produced slightly better operating results," says corporate treasurer Jeffrey Cole. □



## Macy's

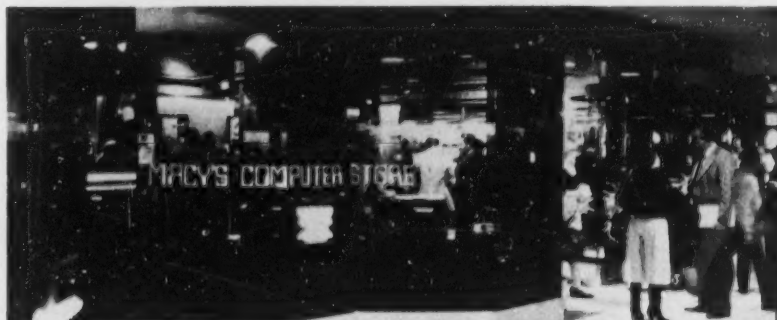
### Store continues record growth

□ For the seventh consecutive year, R. H. Macy reported record earnings for the fiscal year ended July 1982. Net income of \$135.6 million represented a 14.2% increase over 1981's \$118.7 million.

Favorable changes in merchandise mix producing improved margins contributed to a 0.1% increase in profit-to-sales ratio to 4.6%, continuing a slow but steady climb from 3.3% in 1978.

But Macy found it was not immune from the effect of an overall sluggish economy. Sales in 1982 increased 12.1%, down from 1980's benchmark 13.9% increase. Comparable-store sales were up 7.7%, breaking a four-year average increase of 9%.

Last year, the corporation opened two new stores, closed two small Ohio units and expanded two



others, but major attention is now focused on Macy's October debut in Florida's prosperous Aventura

Mall. This is the first step in an aggressive plan announced last year to penetrate the Florida and Texas markets, with additional growth during the next three years involving all branches except Macy's Midwest.

Working capital for these expansions—which is estimated at averaging \$125 million per year—is once again being generated by cash flow from operations and by financing customer accounts (credit sales are 59½% of total sales) through Macy Credit Corp. □

| Year         | Sales*      | Profits*  | Stores          |
|--------------|-------------|-----------|-----------------|
| 1978         | \$1,834,100 | \$ 61,154 | 79              |
| 1979         | 2,058,048   | 75,817    | 83              |
| 1980         | 2,373,531   | 102,260   | 87              |
| 1981         | 2,656,689   | 118,739   | 92              |
| 1982*        | 2,979,391   | 135,571   | 92              |
| '78-'82 chg. | +62.4%      | +121.7%   | +13<br>(+16.5%) |

\*000 omitted. Source: CSA research.  
\*Fiscal year ended July 31, 1982.

## Allied

### Sales soar while earnings gain lags

□ Garfinckel, Brooks Brothers, Miller & Rhoads, acquired in September 1981, proved a mixed blessing for Allied Stores Corp. in fiscal 1982.

Allied reported record sales of \$3.2 billion, an increase of 17.7% over 81's \$2.7 billion. But excluding the contributions of the Garfinckel operations limited this increase to only 5.7%, lagging an Allied-only increase of 9.4% in '81.

Despite the jump in sales, net earnings climbed only 2.6% to \$90.7 million from \$88.3 million (following a 5.9% increase in '81) as interest costs associated with the acquisition exceeded the earnings contributed by the Garfinckel package.

"Business did pick up during the fourth quarter, but overall 1982 was tough, and four months do not make a year," says Orren F. Knauer, vp/investor relations.



Nine new department stores will be opened this year. Jordan Marsh-

Boston will open two units while seven other divisions will receive single-store additions. A total of 26 specialty stores will open, including four Brooks Brothers, six Ann Taylors and one Bonwit Teller. Capital expenditures for expansion were trimmed to \$550 million from the \$750 million announced in 1981.

"This slowdown is caused by the reduced number of new shopping centers being built and does not reflect a reduced commitment to growth on our part," says Knauer. □

| Year         | Sales*      | Profits* | Stores            |
|--------------|-------------|----------|-------------------|
| 1978         | \$2,083,000 | \$82,339 | 176               |
| 1979         | 2,210,000   | 90,135   | 216               |
| 1980         | 2,268,000   | 83,386   | 226               |
| 1981         | 2,732,697   | 88,332   | 512               |
| 1982*        | 3,215,634   | 90,659   | 533               |
| '78-'82 chg. | +54.4%      | +10.1%   | +357<br>(+202.8%) |

\*000 omitted. Source: CSA research.  
\*Fiscal year ended Jan. 29, 1983.

## CSA OUTLOOK

### McCrorry

## Peso devaluation stings McCrorry

□ The Mexican peso devaluation hit McCrorry Stores hard, leaving the company with a 3.5% decrease in sales and a 9.1% drop in operating profit.

The McCrorry variety store division kept its sales decline to just

| Year              | Sales <sup>*2,3</sup> | Profits <sup>*2,3</sup> | Stores           |
|-------------------|-----------------------|-------------------------|------------------|
| 1978              | 565,000               | 34,900                  | 776              |
| 1979              | 619,000               | 42,500                  | 763              |
| 1980              | 674,000               | 43,400                  | 751              |
| 1981              | 762,000               | 50,600                  | 753              |
| 1982 <sup>1</sup> | 760,000               | 48,200                  | 760              |
| '78-'82 chg.      | + 34.5%               | + 38.1%                 | - 16<br>(- 2.1%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Jan. 31, 1983.

<sup>2</sup>Operating profits.

<sup>3</sup>McCrorry variety stores only.

0.3%, ringing up \$760 million in sales. Operating profit dipped from \$50.6 million to \$48.2 million.

Lerner Stores, the 790-store specialty chain experienced a 4.9% decline in sales to \$682 million and a more sizable 18.9% decrease in operating income to \$73.4 million.

OTASCO automotive and home accessories stores had a constant sales volume of \$291 million and an increase in operating profit from \$17.5 million to \$20.9 million. □

### BATUS

## M. Field's provides punch in weak '82

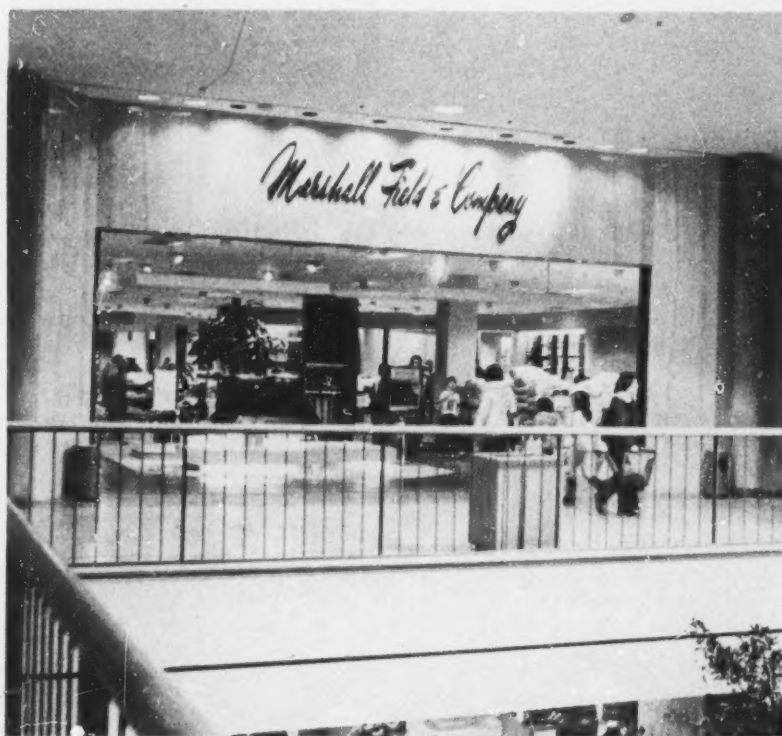
□ Despite the \$61 million it added to corporate interest expenses, the nearly \$173.9 million in assumed debt and its \$368 million price tag, the Marshall Field's acquisition put muscle in what would have been a flabby 1982 for BATUS' Retail Division.

Without Marshall Field's, division volume, excluding the supermarkets, slipped 0.8% to just over \$1.5 billion with comparable stores down 2.5%. Operating income, including the supermarkets, tumbled 26.8% to \$93 million.

But Marshall Field's repainted that grim picture. The general merchandise stores' sales leaped 54.8% to just over \$2.4 billion and operating income climbed 27% to nearly \$161.1 million. That's not to say Marshall Field's cruised through 82's economic turmoil. Sales for the package acquired in May declined 0.9% to under \$1.2 billion.

The Retail Division's internal expansion was relatively aggressive last year. This forge-ahead policy pushed capital spending up 61.8% to \$113.6 million—\$65.5 million spent on refurbishing stores and installing computerized electronic equipment and \$48.1 million on new units.

At Saks Fifth Avenue, where profits reportedly declined, two stores opened (in Dallas and Kansas City) and construction began on four more set to debut this year in Stamford, West Houston, San Diego and New Orleans.



| Year              | Sales <sup>*2</sup> | Profits <sup>*2</sup> | Stores              |
|-------------------|---------------------|-----------------------|---------------------|
| 1978              | N/A                 | N/A                   | N/A                 |
| 1979              | \$1,253,800         | \$ 77,800             | 84                  |
| 1980              | 1,404,800           | 98,038                | 89                  |
| 1981              | 1,557,000           | 126,830               | 95                  |
| 1982 <sup>1</sup> | 2,410,000           | 161,061               | 211                 |
| '78-'82 chg.      | + 92.2%             | + 107.0%              | + 127<br>(+ 151.2%) |

\*000 omitted. Source: CSA research.

<sup>1</sup>Fiscal year ended Dec. 31, 1982.

<sup>2</sup>CSA estimate excludes supermarkets.

<sup>3</sup>Operating income.

Kohl's Department Stores, positioned between discounters and high-end department stores, proved to be the division's stellar performer. With five new stores op-

erating in '82, sales climbed 30.9%.

BATUS reports that the Gimbels divisions were profitable for the second straight year, capitalizing on a continuing emphasis on streamlining operations by eliminating duplication of functions and creating an electronic data processing center shared by the then New York and Philadelphia operations. This set the stage for the March '83 decision to merge New York and Philadelphia into Gimbels East. Corporate insiders would not comment on plans to link Gimbels-Pittsburgh and Milwaukee, but did note that streamlining of operations was ongoing. □

G. C. Murphy

## Toeing the line boosts net profits

□ Toeing the line on inventories and outlays helped G. C. Murphy churn out a 140.8% increase in net profits last year on a basically flat sales performance.

For 1982, net income soared to \$11.7 million from 1981's \$4.9 million. Sales (from 13 fewer stores) crept ahead to \$822.3 million from \$817.8 million in '81, while gross margins jumped from 1981's 25.6% to 82's 27.1%. The earnings-to-sales ratio hit a five-year high, at 1.4%.

"The favorable net income results for 1982 reflect efforts made during the year to improve store productivity, contain costs and more effectively control inventory shrinkage," says Charles Lytle, pres./ceo.

The company reduced cost of goods sold to \$599.2 million from 81's \$608.5 million. Fall and winter orders were cut back to "minimize the risk of being overstocked at the end of the season," notes Lytle.

Additionally, operating costs were re-evaluated. In '82, the company spent \$794.4 million for total operating costs vs. 1981's \$800.9



| Year              | Sales*    | Profits*  | Stores           |
|-------------------|-----------|-----------|------------------|
| 1978              | \$711,996 | \$ 202    | 480              |
| 1979              | 756,875   | 9,854     | 467              |
| 1980              | 803,699   | 9,318     | 448              |
| 1981              | 817,823   | 4,878     | 435              |
| 1982 <sup>1</sup> | 822,282   | 11,744    | 422              |
| '78-'82           | +15.5%    | +5,713.9% | - 58<br>(-12.1%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 27, 1983.

million figure. It closed its Murphy Mart fashion merchandise distribution center in December and advertised fewer items in each circular.

Moreover, the company has been

expanding its Murphy Marts and redirecting its conventional stores as indicated by the thrust of the sales returns. Murphy Marts accounted for \$531 million, or 64.6%, of net sales while variety and other stores comprised \$291.3 million. The 111 discount stores showed an increase of 7.1% over 1981 volume while the 311 conventional stores were down 9.6%. Sales per net square foot in the Marts climbed 2.3% to \$102.85, nearly doubling productivity in the conventional stores.

In 1983, five new Murphy Marts will open; two in converted G. C. Murphy variety stores and three in new locations. Murphy Marts will continue to upgrade presentation and, by year end, a total of 88 units will feature the new format that debuted in Baltimore in March '82. Additionally, the company assumed operation of previously leased automobiles and sporting goods departments in Murphy Marts.

At the variety stores, the company will continue converting units to the newly developed presentation which bowed in the Monroeville, Pa., store in September '82. Approximately 132 stores will be completed by year-end. □

Toys "R" Us

## Sales soar over \$1 billion mark

□ Sales for 1982 topped the \$1 billion level for toy supermarket giant Toys "R" Us, a 33% increase over 1981. Same-store sales rose 19.5% while net earnings more than kept pace, climbing 31.1%. The chain's net earnings-to-sales ratio remained at 6.2%, the same as in 1981, up 1.3 points in four years.

"Fiscal 1983 further enhanced our position as the nation's largest toy-specialty retailer, accounting for approximately an 11% share [up from a 9.5% share in 1981] of the toy retailing market," says Charles Lazarus, chairman/ceo.

While not neglecting its traditional customer base—the child—the chain made gigantic leaps into



| Year              | Sales*     | Profits* | Stores           |
|-------------------|------------|----------|------------------|
| 1978              | \$ 349,099 | \$17,147 | 72               |
| 1979              | 480,317    | 26,775   | 85               |
| 1980              | 597,332    | 28,893   | 101              |
| 1981              | 783,285    | 48,920   | 120              |
| 1982 <sup>1</sup> | 1,041,735  | 64,126   | 144              |
| '78-'82           | +198.4%    | +274.0%  | +72<br>(+100.0%) |

\*000 omitted. Source: CSA research.  
<sup>1</sup>Fiscal year ended Jan. 30, 1983.

the video game and home computer market, which comprised 18% of 1982's total sales vs. 11% in '81.

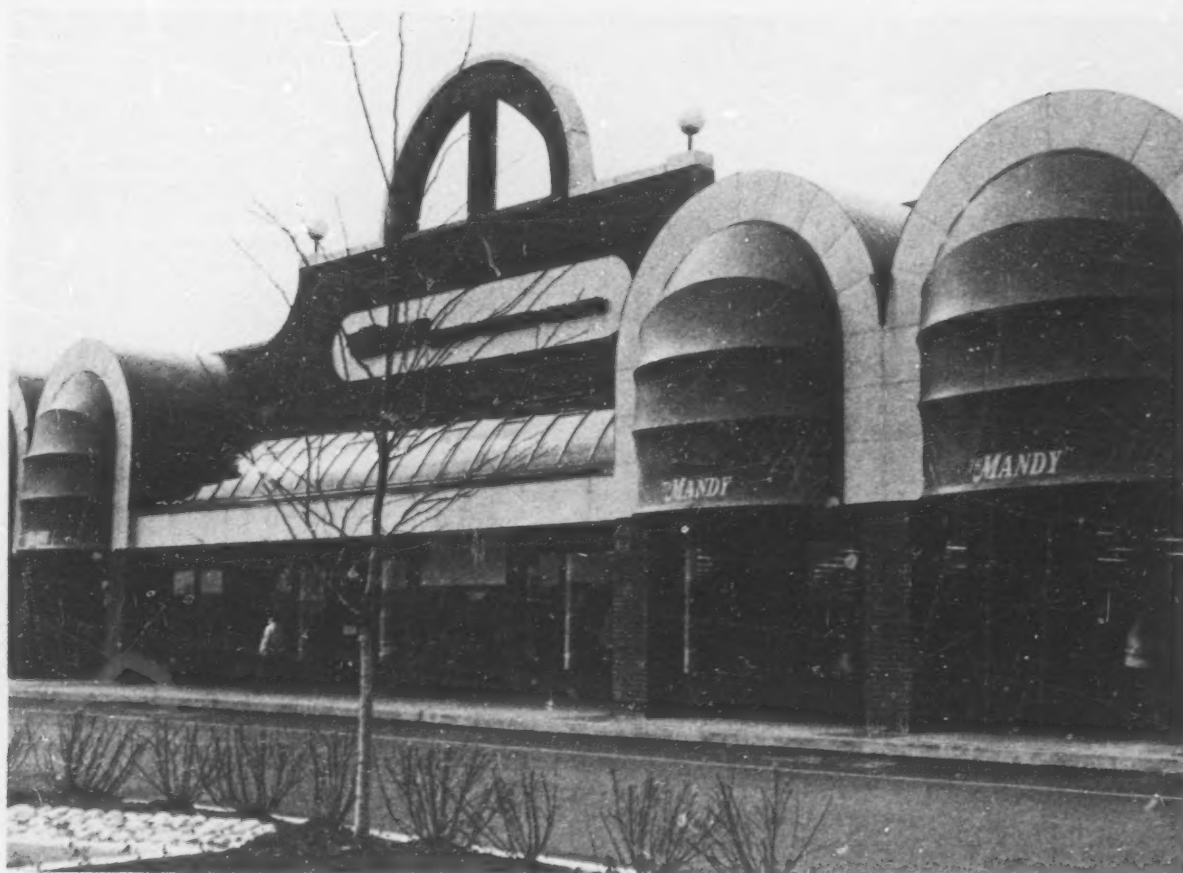
One Merrill Lynch analyst predicts that 1983 will be another good year for Toys "R" Us. "Volume will rise 25% to 30%, aided by an overall strengthening of the economy and by an aggressive expansion program," the analyst forecasts.

The chain plans to open 25 stores in 1983, including five stores in the Greater Atlanta market.

Expansion outside the United States will come with a move into Canada and a joint venture in the Middle East with a Kuwait-based company.

Perhaps the biggest news is two off-price children's apparel outlets opening (in Brooklyn, N.Y., and Paramus, N.J.), later this year to test the waters for possible expansion in 1984. □





*Today, off-price malls are looking more and more like retail shopping centers.*

## Off-price retailing comes of age in '82

**Whether off-pricers can sustain the 35% sales increases of the last five years remains to be seen. One thing's for sure: There's a retail force to be reckoned with.**

□ It was the year of the off-pricer. No matter which merchant you spoke to or listened to last year, off-price entered the discussion.

As Leslie Wexner, pres. of the Columbus-based The Limited, said addressing an analysts' meeting, "A few years ago everyone was talking about nonstore retailing. Now, it's off-price merchandising."

Whether sales will continue at the heady 35% annual increases established over the last five years is another question. One thing is for sure: No one doubts the staying

power of off-pricers. Sales in 1985 should reach \$14.5 billion, up from 1981's \$5 billion.

This dynamic growth has caused many retail powerhouses to take a hard look at off-pricing. Associated Dry Goods looked and bought Loehmann's, Dayton Hudson looked and opened Plums, K mart looked and opened Designer Depot. Not Federated, however. It will open a yet unnamed Mervyn's-type operation, avoiding another off-price division: It already operates Filene's.

These entries have led many in-

dustry experts to fear off-pricers are in danger of overexposure and overexpansion. Consider Dayton Hudson's Plums. The recent opening of three Plums in Los Angeles has reportedly created a brouhaha among California department stores and vendors. With grand fanfare, Dayton Hudson advertised Plums, "The Elegant Discounter," giving notice to department stores of its intentions. Naturally, they balked. Sources say the California department stores will counterattack and Plums is reportedly toning down its trade press publicity so as not to antagonize vendors.

Plums, say industry sources, is representative of the off-price store emerging today and foreshadows problems to come. Traditionally, off-pricers have bought for less and sold for less, stocking closeouts and

# APPAREL MERCHANDISING

## Leading off-price retailers

(List does not include Mfr.-owned factory outlets)

| 1982 Rank | Chain                                                        | 1981 Sales <sup>1</sup><br>(000 omitted) | 1981 Stores      | 1982 Sales <sup>1</sup><br>(000 omitted) | 1982 Stores      | % Sales Increase        |
|-----------|--------------------------------------------------------------|------------------------------------------|------------------|------------------------------------------|------------------|-------------------------|
| 1         | Melville Marshalls                                           | 618,361                                  | 108              | 829,900                                  | 137              | +34.2                   |
| 2         | Zayre<br>Hil or Miss <sup>1</sup><br>T. J. Maxx <sup>1</sup> | 383,791<br>156,040<br>286,951            | 309<br>245<br>64 | 523,817<br>190,000<br>340,000            | 352<br>265<br>87 | +44.8<br>+21.1<br>+84.3 |
| 3         | Apparel Retail Corp. <sup>1</sup>                            | 303,000                                  | N.A.             | 338,000                                  | 375 <sup>1</sup> | +11.6                   |
| 4         | Gateway Stores <sup>1</sup>                                  | 270,000                                  | N.A.             | 301,000                                  | 325 <sup>1</sup> | +11.6                   |
| 5         | Loehmann's <sup>1</sup>                                      | 240,000                                  | 53               | 260,000                                  | 61               | + 8.5                   |
| 6         | Lucky Stores<br>Pic-A-Dilly/<br>It's-A-Dilly <sup>1</sup>    | 118,324                                  | 250              | 165,000                                  | 199              | +39.4                   |
| 7         | Syns <sup>1</sup>                                            | 142,000                                  | 11               | 152,000                                  | 11               | + 7.5                   |
| 8         | Burlington Coat Factory                                      | 96,321                                   | 13               | 130,517                                  | 31               | +35.5                   |
| 9         | Filene's Basement <sup>1</sup>                               | 90,000                                   | 5                | 111,840                                  | 9                | +24.3                   |
| 10        | "J. Brannan                                                  | 57,000                                   | 39               | 85,000                                   | 30               | +48.1                   |
| 11        | U.S. Shoes<br>T. H. Mandy <sup>1</sup>                       | 40,000                                   | 8                | 77,810                                   | 13               | +56.9                   |
| 12        | NBO <sup>1</sup>                                             | 66,000                                   | 12               | 71,000                                   | 12               | + 7.6                   |
| 13        | Cohoes <sup>1</sup>                                          | 30,000                                   | 1                | 50,000                                   | 2                | +66.7                   |
| 14        | Clothes Time <sup>1</sup>                                    | 30,000                                   | 60               | 50,000                                   | 99               | +66.7                   |
| 15        | Stop & Shop<br>Off the Rack                                  | 31,964                                   | 68               | 35,635                                   | 72               | + 4.5                   |
|           | Totals                                                       | 2,474,417                                | 929              | 3,181,319                                | 2,080            | +28.7                   |

N.A.—not available

<sup>1</sup> CSA estimates

Source: CSA research/annual reports/S.E.C. Forms 10k.

overruns. Plums does this and more. The store is buying some merchandise at the same price as department stores and selling it for less. Result: It can be as current as department stores on some goods and has the ability to reorder these goods. Not easy to swallow when you're a department store and have a steep overhead.

There are, of course, stores offering current brand-name merchandise for less, but they're not rubbing against department stores, nor are they offering such upscale fashion merchandise. SCOA's Aston, Pa.'s The Dry Goods division, based in Aston, Pa., for one, offers current goods at 20% off. The operation pays the same prices as department stores but sells the merchandise for less. So does Ash-tabula, Ohio-based Carlisle-Allen for most of its goods.

Executives at these stores, however, do not consider their operations off-pricers.

Rather, as The Dry Goods' president Richard Gully says, "We're

discount department stores."

What's in a name? Not much in off-pricing, say many industry experts. Today's factory outlet, for example, has changed its identity along the way. Customarily, a store adjacent to the mill, it provided a means for manufacturers to sell their irregulars or overruns. But take Warnaco Outlet Stores or Manhattan's Brand Name Fashion Outlets. Both carry their own brands, in addition to many others. These stores have become a shopping experience where men and women can fulfill many of their apparel needs.

Even off-price legends are changing their policies—somewhat. Consider Loehmann's. True, Loehmann's still specializes in closeouts, excess apparel and samples from manufacturers, as well as department store stocks. But Loehmann's today is also filling its racks with private-label merchandise made for the Bronx, N.Y.-based chain. By doing so, it is establishing continuity of merchandise.

High-volume Marshalls is also

changing. New stores in Denver, Colo., sport a new look. "These units represent a radical departure," says Michael Gade, exec vp of Columbus, Ohio-based The Doody Co., retail design consultants. "They no longer have piperacks." What's more, the mix in some Marshalls has been expanded to include jewelry.

In short, off-pricers are becoming legitimate retailers. Today, the successful ones are taking a focused approach, honing in on a consumer segment. They've streamlined systems—all know what has sold the past week by Monday of the following week. Many are looking as good as specialty stores. Furthermore, quite a few are offering consumers a full selection.

Says long-time champion of the off-pricer, Iris Ellis, author of *Save On Shopping* directory, "Many of these stores are beginning to blend into the retail landscape."

Whether department stores let them get settled is another question.

On the following pages, CSA highlights six off-pricers, representing some of the different merchandising tactics taken by this group. □

## Plums aims for elegant approach

□ In the scramble to find a foothold in off-price retailing, no stone has been left unturned. Dayton Hudson's Plums operation, however, is going after the better and designer market with a format that is unique—at least for now.

Other off-pricers also aim at this upscale customer—Loehmann's for one. But Loehmann's, which has already established its presence with 61 stores in 25 states, remains a traditional piperack, no-label operation. It also ignores the updated male customer.

Plums is creating its own niche in this upscale market with a store design aimed at making the department and specialty store shopper feel right at home. Merchandise—mostly better men's and women's

# APPAREL MERCHANDISING

tail stocks," explains Elliot Jaffe, president. Moreover, the founder of the 68-store women's wear chain says, with the stock sale, Dress Barn will be able to expand more rapidly and acquire other companies.

By the end of this fiscal year, July 30, 1983, Dress Barn will have opened 19 stores. In the past five years, it has aggressively added 43 units, resulting in 1982 sales of \$33,474,000, up 13.5% on '81. It's no wonder Jaffe claims off-price is a concept whose time has come.

"Women are not willing to pay full price for apparel anymore," he declares. Furthermore, he says apparel is no longer as trendy as it once was. The combination, Jaffe maintains, has made off-price shopping chic. "Women who can afford to shop at department stores pride themselves today on buying discount apparel."

Dress Barn caters to career women earning \$20,000 to \$35,000 per year. At the units, which span the

East Coast from the Carolinas to Maine, they'll find career and casual clothes. The moderate-to-better priced mix is heavily laced with brands such as John Henry and Villager. About 10% to 15% of the merchandise is private label, Jaffe says.

Merchandise is discounted 20% to 50%. During the summer, shoppers can choose dresses that run from \$20 for a sundress to about \$69.99 for a dress with jacket. Slacks range from \$15 to \$34.

Because more women are shopping off-pricers, Jaffe insists store decor is a key to selling this apparel. "We believe in presentation. We want our customer to feel she's in a specialty store." As a result, Dress Barns include upscale fixtures, carpeting and signage.

Like specialty stores, assortments in the 4,000-sq.-ft. to 5,000-sq.-ft. Dress Barns are complete. "Our shopper does not have to hunt and pick for bargains as she does in other off-pricers," says Jaffe. "We carry a full selection of sizes and

colors. We also reorder merchandise."

Jaffe is able to do this because he has established vendor loyalties over the past 20 years. "They like doing business with us. Unlike department stores, we don't demand markdown money nor advertising support."

Jaffe has a staff of eight buyers in the market. Four cover sportswear; one buys dresses; one, coats; another, suits, and still another, accessories.

But covering the market, Jaffe says, is not enough. Consumers must be satisfied. To accomplish this, Jaffe stresses store service. To him that's a necessary ingredient—just as important as the merchandise that's featured. Encouraging salespeople means knowing them on a first name basis, throwing parties and running contests.

After all, he says, "Service is one of the reasons why shoppers come to us. They can no longer get it at department stores." □

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## Women's specialists need fashion look

□ Women's specialty store chains were buffeted by a tough retail climate last year, indicating a shake-out may be in the works for 1983. Men's wear chains fared better, pointing out many are on the right merchandising path.

"Women pulled back on buying

## Sales increases for the women's wear chains, on the most part, didn't keep pace with '81.

last year" was the reason cited by most specialists for poor sales and earnings. Many also blame the paltry results on the lack of fashion direction. "We need another mini," says one executive from a Midwest-based operation. But more than that, he calls for "fashion looks, not just items."

Compounding the lack of fashion direction last year was the lean inventory position taken by most spe-



# APPAREL MERCHANDISING

cialists. Consumers were not spurred to buy as a result of pared-down assortments. As one New York-based president admitted, "We should have worked more with manufacturers to develop a fashion direction."

As a means to combat hard times and stiff competition, some specialists undertook new courses in 1982. The Limited, for one, set its sails on diversification, acquiring ventures such as Lane Bryant and Victoria's Secret that complement its women's wear base. U.S. Shoe Co., for another, also sensing overpenetra-

## For many women's wear specialists, the problems of 1982 centered around merchandising.

tion of the women's wear market, is focusing more heavily on off-price divisions such as T. H. Mandy and Outletters to increase sales. U.S. Shoe's off-pricers are being expanded by 800,000 sq. ft. this year, double the amount of space allocated last year.

For some chains, this is the "do or die" year. Word is out that Susie's Casuals, Woolworth's women's wear chain, which is not even mentioned in Woolworth's annual report, has to produce or else it will be abandoned—either turned into a footwear chain or sold.

For other women's wear chains, the problems of 1982 centered around merchandising. As the chairman and CEO of Melville, Francis Rooney, put it, "Foxmoor offered lousy merchandise." Results: Profits fell as they did for Edison Brothers' Fashion Conspiracy. Because profits were lower than expected and lower than last year, Fashion Conspiracy increased its expense ratios and took heavy markdowns.

Even powerful Lerner's, now regarded as the nation's No. 2 specialty store by industry experts due to The Limited's acquisitions, suffered profit losses. Operating income plummeted 18.9%, down from 1981's \$90.5 million to \$73.4 million. This decline came on top of meager gains in 1981.

### Leading apparel specialty chains

| 1982 Rank | Company/Headquarter Location        | 1981 Sales<br>(000 omitted) | 1981 Stores  | 1982 Sales<br>(000 omitted) | 1982 Stores  | % Sales change |
|-----------|-------------------------------------|-----------------------------|--------------|-----------------------------|--------------|----------------|
| 1         | The Limited <sup>1</sup>            | 364,900                     | 758          | 721,394                     | 825          | + 97.7         |
|           | *Lane Bryant <sup>1,2,3</sup>       | 375,160                     | 270          | 300,000                     | 222          | - 20.0         |
|           | *Limited <sup>1</sup>               | 362,180                     | 476          | 406,204                     | 567          | + 12.2         |
|           | *Limited Express <sup>1</sup>       | 2,720                       | 8            | 8,000                       | 30           | +194.1         |
|           | *Victoria's Secret <sup>1,2</sup>   | 5,000                       | 4            | 7,190                       | 6            | + 43.8         |
| 2         | Lerner Shops                        | 717,000                     | 767          | 682,000                     | 790          | - 4.9          |
| 3         | Petrie                              | 529,800                     | 791          | 566,682                     | 871          | + 7.0          |
|           | *Petrie's <sup>1</sup>              | 52,502                      | 71           | 55,386                      | 70           | + 5.5          |
|           | *Stuart's <sup>1</sup>              | 227,413                     | 330          | 244,079                     | 332          | + 7.3          |
|           | *Marianne <sup>1</sup>              | 169,615                     | 204          | 178,761                     | 198          | + 5.4          |
|           | *Davids <sup>1</sup>                | 22,967                      | 71           | 14,116                      | 28           | - 38.5         |
|           | *G&G <sup>1</sup>                   | 23,303                      | 68           | 24,002                      | 68           | + 3.0          |
|           | *Franklin's <sup>1</sup>            | 34,000                      | 88           | 33,752                      | 82           | - 0.7          |
|           | *Hartfield <sup>1,2</sup>           | —                           | —            | 10,879                      | 61           | —              |
|           | *Ranch <sup>1,2</sup>               | —                           | —            | 5,707                       | 32           | —              |
| 4         | U.S. Shoe Corp.                     | 457,700                     | 850          | 583,235                     | 933          | + 27.4         |
|           | *Casual Corner <sup>1</sup>         | 290,500                     | 463          | 360,658                     | 516          | + 24.2         |
|           | *August Max <sup>1</sup>            | 7,380                       | 26           | 8,149                       | 28           | + 11.6         |
|           | *J. Riggings <sup>1</sup>           | 82,600                      | 164          | 98,735                      | 184          | + 19.5         |
|           | *Proving Ground <sup>1</sup>        | 6,100                       | 56           | 6,613                       | 51           | + 8.4          |
|           | *Antics/Up's 'n Downs <sup>1</sup>  | 17,400                      | 124          | 19,781                      | 117          | + 13.7         |
|           | *Steven Charles <sup>1</sup>        | 4,200                       | 9            | 8,489                       | 22           | +102.1         |
|           | *Outletters <sup>1,2</sup>          | —                           | —            | 3,000                       | 4            | —              |
|           | *T. H. Mandy <sup>1</sup>           | 49,600                      | 8            | 77,810                      | 13           | + 56.9         |
| 5         | Hartmarx Retail                     | 442,000                     | 310          | 456,000                     | 274          | + 3.2          |
|           | *Wallachs <sup>1</sup>              | 41,000                      | 28           | 48,128                      | 29           | + 17.4         |
|           | *Hastings <sup>1</sup>              | 21,000                      | 14           | 22,575                      | 14           | + 7.5          |
|           | *Chas. A. Stevens <sup>1</sup>      | 43,000                      | 27           | 46,704                      | 28           | + 8.6          |
|           | *All others <sup>1</sup>            | 337,000                     | 243          | 338,593                     | 203          | + 0.5          |
| 6         | The Gap                             | 417,385                     | 522          | 444,929                     | 545          | + 8.6          |
| 7         | Melville                            | 333,721                     | 1,059        | 331,701                     | 1,104        | - 0.6          |
|           | *Foxmoor                            | 196,097                     | 588          | 179,230                     | 616          | - 8.8          |
|           | *Chess King                         | 137,624                     | 471          | 152,471                     | 488          | + 10.8         |
| 8         | Woolworth                           | 258,700                     | 634          | 272,600                     | 626          | + 5.4          |
|           | *Richman Bros./Anderson Little      | 186,000                     | 336          | 198,000                     | 330          | + 6.5          |
|           | *Susie's Casuals <sup>1</sup>       | 72,700                      | 298          | 74,600                      | 296          | + 2.6          |
| 9         | Allied Stores Corp. <sup>1</sup>    | 203,000                     | 73           | 229,000                     | 79           | + 12.9         |
|           | *Brooks Bros. <sup>1</sup>          | 160,000                     | 28           | 180,000                     | 34           | + 12.5         |
|           | *Plymouth <sup>1</sup>              | 43,000                      | 45           | 49,000                      | 45           | + 14.0         |
| 10        | Miller Wohl/Jean Nicole             | 220,952                     | 307          | 222,375                     | 310          | + 0.6          |
| 11        | Edison Brothers                     | 210,000                     | 838          | 217,960                     | 863          | + 3.8          |
|           | *Fashion Conspiracy <sup>1</sup>    | 80,000                      | 275          | 80,000                      | 280          | N/C            |
|           | *Jeans West/Oak Tree <sup>1</sup>   | 70,000                      | 357          | 75,700                      | 370          | + 8.1          |
|           | *Size 5-7-9 <sup>1</sup>            | 60,000                      | 206          | 66,100                      | 213          | + 10.2         |
| 12        | Brooks Fashions                     | 179,146                     | 453          | 211,540                     | 500          | + 18.1         |
| 13        | Super Valu-County Seat              | 178,800                     | 242          | 192,000                     | 255          | + 7.4          |
| 14        | Charming Shoppes                    | 143,871                     | 258          | 174,272                     | 298          | + 21.1         |
| 15        | W. R. Grace Co.                     | 120,000                     | 75           | 134,000                     | 88           | + 11.7         |
|           | *Bermans <sup>1</sup>               | 18,186                      | 65           | 21,900                      | 78           | + 20.6         |
|           | *Shoppers <sup>1</sup>              | 101,834                     | 10           | 109,981                     | 10           | + 8.0          |
| 16        | Philips Van Heusen                  | 112,397                     | 65           | 101,382                     | 59           | - 9.6          |
|           | *Hamburger's/Kennedy's <sup>1</sup> | 34,038                      | 24           | 34,300                      | 21           | + 0.8          |
|           | *Harris & Frank <sup>1</sup>        | 42,189                      | 26           | 41,743                      | 23           | - 1.1          |
|           | *Others <sup>1</sup>                | 36,170                      | 15           | 25,339                      | 15           | - 29.9         |
| 17        | Paul Harris                         | 86,339                      | 172          | 90,386                      | 172          | + 4.7          |
| 18        | National Shirt Shops                | 66,636                      | 236          | 63,011                      | 228          | - 5.4          |
| 19        | Merry-Go-Round                      | 65,753                      | 185          | 75,507                      | 194          | + 14.8         |
| 20        | Contempo Casuals                    | 43,000                      | 51           | 54,000                      | 66           | + 25.6         |
| 21        | Worth Stores <sup>1</sup>           | 40,000                      | 91           | 44,200                      | 97           | + 10.5         |
| 22        | Frederick's of Hollywood            | 39,300                      | 128          | 41,552                      | 140          | + 5.7          |
| 23        | Cluett, Peabody & Co. <sup>7</sup>  | 35,619                      | 37           | 37,887                      | 30           | + 6.4          |
|           | *Boyd's <sup>1</sup>                | 8,619                       | 8            | 11,187                      | 8            | + 29.8         |
|           | *Cluett Outlet Stores <sup>1</sup>  | 27,000                      | 29           | 26,700                      | 22           | - 1.1          |
| 24        | Topps & Trowers                     | 17,870                      | 80           | 18,748                      | 73           | + 4.9          |
|           | <b>Total</b>                        | <b>5,283,889</b>            | <b>8,982</b> | <b>5,966,381</b>            | <b>9,422</b> | <b>+ 12.9</b>  |

<sup>1</sup> CSA estimates. <sup>2</sup> Acquired in 1982. <sup>3</sup> Opened in 1982. <sup>4</sup> 1981 total excludes sales from Lane Bryant and Victoria's Secret, acquired in 1982. <sup>5</sup> 1981 total includes sales from Roaman's, merged with Lane Bryant in 1982. <sup>6</sup> Excludes Ann Taylor, Catherine Stout Shoppes and Bonwit Teller. <sup>7</sup> Excludes sales of Lytton's, The Metropolitan and Young-Quinlen, sold. N.C. = no change.

Source: CSA research/annual reports/S.E.C. Forms 10K.

Sales increases for women's wear chains on the most part did not keep pace with 1981, revealing independents will be more and more at the mercy of large companies. "The big will get bigger," is the way a spokesman for a Midwest-based chain put it.

Nonetheless, the survivors are expected to do well in 1983 as expenses have been slashed in the last years and inventories are well managed. This should mean, say retail

## Men's wear chains were generally in a far better position in '82 than women's specialists.

analysts, as consumers start spending increased sales will drop down to the bottom line as profits.

**On track:** Men's wear specialists were generally in a far better position in 1982 than women's wear operators. Many industry experts maintain men's wear stores are in a similar position to the high-flying women's wear stores of the 70's, as a result of having carved out niches and targeting consumers. U.S. Shoe's J. Riggings, Melville's Chess King and Edison Bros.' Jeans West/Oak Tree divisions all came through the year with increased sales and profits.

Manufacturer-owned men's wear retail shops, however, were not sitting as pretty. For Hartmarx, the profit level of men's stores was slightly below 1981. Cluett, Peabody, for another, dropped many of its men's wear stores in 1982.

Last year, the jeans wear chains experienced hard times due to the economic climate. Despite having branched out from jeans with additional merchandise, The Gap posted a modest sales increase, while County Seat also registered a lackluster sales gain.

New offerings at women's chains, however, helped some boost sales and pave the way for increases in the 80's. U.S. Shoe's Casual Corner, for example, began stocking petites with the result that a new customer base is shaping up. □

## Soft Lines: Back to basics



*Jil Curry*  
Senior editor

□ The three P's of retailing—presentation, private labels, pricing—are becoming more important as department stores combat off-pricers and other stores.

Obviously how merchandise is presented can make or break a sale. I'm not speaking in terms of creating an atmosphere as Macy's seems to do monthly, but rather where and how merchandise is presented. Take the case of Chicago's Marshall Field's and New York's Bloomingdale's.

On a recent trip to Chicago, I visited a number of department stores. Similar to New York retailers, stores in the Windy City have been "Japanesed."

As a result, it was not surprising to find both Marshall Field's and Bloomingdale's stocking an all-cotton striped jacket with a slight flare from O'Tokyo. Both carried identical retails of \$40. But their presentations were as far apart as night and day.

Bloomingdale's in New York put the lightweight button-down jacket in its Young Eastsider Shop (Y.E.S.) mixed with other Japanese merchandise, while Field's had placed it in its young junior department, isolated from other Japanese goods. By May, Bloomingdale's had sold out of the jacket, whereas at Field's, all sizes were still available.

While Field's may have bought more than Bloomie's, the store targeted a different age group for the jacket. The multicolored

striped jacket, on first glance, may have warranted placement with young girls. But when tried on, it had adult appeal.

On that same trip to Chicago, I also went to T. H. Mandy, U.S. Shoe's off-price division that has garnered a great deal of attention due to its upscale decor, service and selection. I visited the operation to see if salesgirls were still as friendly (they were) and to see if Mandy was still obtaining brands (they were).

But on this visit I was struck by the number of not-so-well-known brands and private-label goods. While I could not differentiate between lesser known brands and private labels, this group seems to make up a sizable portion of the mix. Located amid Arthur Chapnik, Villager, Kasper for Joan Leslie and Paula Saker were not-so-well-known names Domino, Puncher, Andre Bini, Tumbleweed, Nitya and Jeremy Denholm.

At Chicago's downtown Mandy, consumers were equally drawn to the less-known labels as to the nationally known ones, underscoring the fact that perceived quality is what counts.

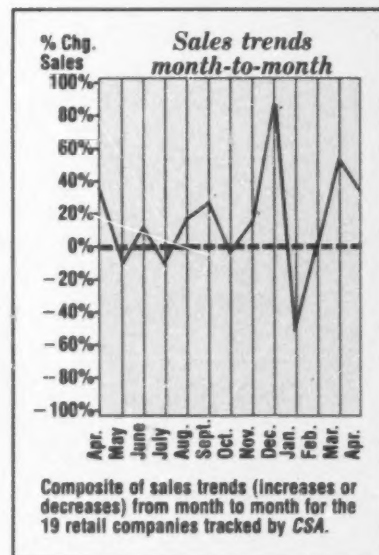
As the president of a discount Southern-based department store chain said to me while I was doing research, it's no longer what brands the off-price store carries but the quality of the merchandise.

As a result, off-pricers are able to offer well-rounded assortments thanks to private labels and less well-known brands. National brands add credibility, but day-in/day-out continuity is gained by offering quality lesser-known labels and private labels. This was the case at Mandy.

The brands assured customers they were receiving good value for their money. Whether they elected to buy one did not matter. Shoppers had no doubts that whatever they selected would be an investment purchase. □

## April sales suffer after robust March

In March, retail observers credited an early Easter shopping season and mild weather for robust consumer spending. But in April, total retail sales slumped, resulting in a moderate 7.1% increase over the same period in 1982. The reasons, merchants say: No Easter and a nationwide potpourri of unsettled weather.



Sales for the 20 chains tracked by CSA were \$7.7 billion in April compared with \$9.1 billion in March. Retailers, however, contend both months should be viewed as a single shopping season in light of the Easter holiday shift.

K mart, for example, logged a 5.5% sales increase in April but only a 9.5% increase for the two-month period. Comparable stores tracked by CSA were up 10.1% for both months.

Nevertheless, there were some bright spots in April—particularly in durables. Sears and Montgomery Ward reported continued sales strength in big-ticket items.

Sears' 7.7% sales hike, in fact, was the chain's largest percentage increase since September 1981, said Edward R. Telling, chairman/ceo. Telling added that durable sales "were strong for the seventh con-

|                                   |          | APRIL SALES* |           | STORES |       | 3-MO. SALES* |            |          |
|-----------------------------------|----------|--------------|-----------|--------|-------|--------------|------------|----------|
| MAJOR CHAINS                      | % change | 1983         | 1982      | 1983   | 1982  | 1983         | 1982       | % change |
| SEARS'                            | + 7.7    | 1,557,691    | 1,446,366 | 826    | 850   | 4,685,208    | 4,420,220  | + 6.0    |
| PENNEY                            | - 1.3    | 678,000      | 687,000   | 2,044  | 2,074 | 2,118,000    | 2,080,000  | + 1.8    |
| WARD'                             | + 0.8    | 409,713      | 406,633   | 381    | 389   | 1,197,239    | 1,177,085  | + 1.7    |
| FEDERATED'                        | + 9.9    | 595,800      | 541,900   | N/A    | N/A   | 1,840,900    | 1,620,000  | + 13.6   |
| DAYTON HUDSON                     | + 15.7   | 426,022      | 368,086   | 1,027  | 889   | 1,331,744    | 1,092,549  | + 21.9   |
| MAY DEPT. STORES                  | + 11.1   | 277,400      | 249,700   | 1,491  | 1,289 | 846,800      | 734,400    | + 15.3   |
| CARTER HAWLEY HALE                | + 16.3   | 241,900      | 208,000   | 1,038  | 967   | 723,600      | 639,300    | + 13.2   |
| ASSOCIATED DRY GOODS              | + 1.9    | 224,600      | 220,400   | 248    | 245   | 687,800      | 636,800    | + 8.0    |
| MERCANTILE                        | + 14.4   | 117,875      | 103,026   | 85     | 84    | 317,524      | 275,467    | + 15.3   |
| K MART                            | + 5.5    | 1,392,010    | 1,319,199 | 2,384  | 2,387 | 3,932,987    | 3,600,700  | + 9.2    |
| WOOLWORTH                         | - 1.7    | 382,653      | 389,275   | N/A    | N/A   | 1,127,952    | 1,092,671  | + 3.2    |
| HOUSEHOLD MERCH. <sup>1,2,3</sup> | - 7.4    | 218,824      | 236,314   | 3,765  | 3,825 | 635,612      | 659,054    | - 3.6    |
| WAL-MART                          | + 32.1   | 325,000      | 246,000   | 563    | 500   | 854,000      | 665,000    | + 28.4   |
| T.G. & Y.                         | - 6.8    | 157,855      | 169,349   | 889    | 930   | 443,614      | 452,673    | - 2.0    |
| ZAYRE'                            | + 12.4   | 174,534      | 155,250   | 658    | 595   | 518,738      | 431,134    | + 20.3   |
| BRADLEES                          | + 23.6   | 64,500       | 52,200    | 112    | 91    | 193,600      | 150,100    | + 29.0   |
| MURPHY                            | - 5.0    | 62,489       | 65,773    | 417    | 436   | 188,594      | 195,520    | - 3.5    |
| ROSE'S                            | + 10.6   | 56,514       | 51,112    | 237    | 234   | 157,192      | 138,254    | + 13.7   |
| MELVILLE                          | + 5.8    | 249,495      | 235,913   | 5,525  | 5,286 | 991,136      | 850,921    | + 16.5   |
| TANDY                             | + 22.0   | 196,203      | 160,759   | N/A    | N/A   | 585,421      | 470,908    | + 24.3   |
| EDISON BROS.                      | + 6.3    | 82,713       | 77,805    | 2,169  | 2,114 | 271,785      | 256,274    | + 6.1    |
| TOTALS & AVERAGES                 | + 7.1    | 7,733,936    | 7,220,711 |        |       | 23,205,832   | 21,186,357 | + 9.5    |

\*000 omitted. N.C. = no change. N/A = not available.

<sup>1</sup>Store number for full-line outlets only. <sup>2</sup>Includes 2,828 franchise stores (vs. 2,848 a year ago). <sup>3</sup>Includes T.G. & Y. sales. <sup>4</sup>Includes 265 Zayre stores (vs. 263 a year ago), 300 Hit or Miss stores (vs. 263) and 93 T. J. Maxx stores (vs. 69). <sup>5</sup>Excludes supermarket sales.

secutive month" led by microwave ovens, refrigerators, washing machines and dryers.

Other chains didn't fare as well. J. C. Penney's sales were down 1.3%—a direct result of the Easter shopping season shift—while Montgomery Ward's sales were up a slim 0.8%.

More surprising was the poor performance of upscale discounters Caldor and Venture. Caldor sales inched up a slim 0.7% while the chain's same-store sales tumbled about 5%. A Caldor spokesman blamed the discounter's April woes on a "much less promotional emphasis this year" and the elimination of a major advertising flyer. Venture, meanwhile, was up 5.7%, but the May Company's discount division's same-store results increased by only 0.7%.

In comparison, Bentonville, Ark.-based Wal-Mart's same-store sales were up 14% and 13%.

## Penney agrees to buy Delaware bank

J. C. Penney followed the lead of Big 3 rival Sears when it announced in April an agreement to purchase the First National Bank of Harrington in Delaware. The bank has assets of \$28 million and provides a wide range of financial services, said a Penney spokesman.

"We have been studying the feasibility of acquiring a bank for over a year," Thomas J. Lyons, Penney exec vp, said in a prepared text. "The acquisition will give us the flexibility to add banking products and services to complement financial services currently offered."

Penney operates finance centers in five of its California stores. The centers offer financial services which range from personal checking accounts to automobile and recreational vehicle loans.



Marketpower: Top 20 departments

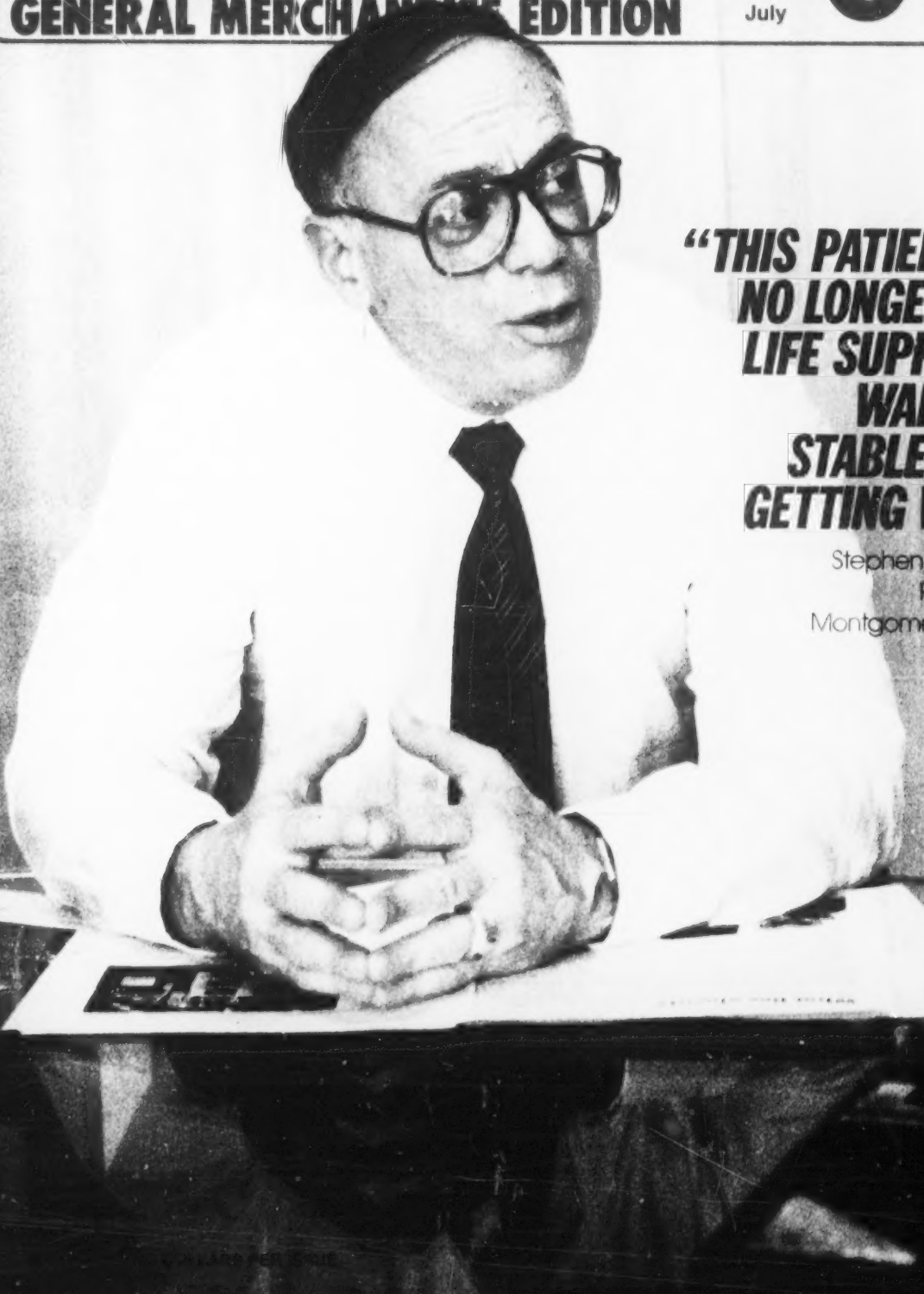
Housewares: Four retail strategies

# Chain Store Age

GENERAL MERCHANDISE EDITION

July

1983



**"THIS PATIENT IS  
NO LONGER ON  
LIFE SUPPORT.  
WARD IS  
STABLE AND  
GETTING WELL."**

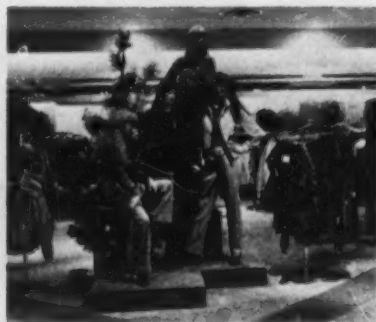
Stephen L. Pistner  
Pres./ceo  
Montgomery Ward

# IN THIS ISSUE



## Ward's new posture

A lean and more aggressive posture is the message Montgomery Ward is now sending out into the marketplace. The new and streamlined Ward, long maligned as a trend trailer, is now acting, rather than just reacting ..... 33



## Penney in Atlanta

The good news for J. C. Penney is that customers who have shopped the reformatatted Atlanta stores prefer the new look. The bad news, however, is that Penney still lags behind dept. stores as the place to shop in Atlanta ..... 44



## Housewares upscales

Last year retailers traded up all lines from cookware through electrics. This year many are upscaling basics, layering on top-quality items to keep current shoppers happy while adding to their customer base ..... 53

## Industry News

|                                                         |    |
|---------------------------------------------------------|----|
| Davison's sets out to cuckold Rich's .....              | 39 |
| Sears propels CE into next century .....                | 48 |
| Private label: chains split over future .....           | 69 |
| Buyers snafus: horns that blow Dixie fail to rise ..... | 72 |

## Marketpower

|                                                             |     |
|-------------------------------------------------------------|-----|
| Automotives: accessories ignite profit jump .....           | 74  |
| Hardware/home improvement: sales lumber along slowly .....  | 77  |
| Domestics: kitchen textiles wring out sales .....           | 78  |
| Accessories: blossoming at mass merchants .....             | 81  |
| Computers: big gains should continue .....                  | 84  |
| Stationery: file-keeping need spurs growth .....            | 89  |
| Footwear: "athleisure" makes giant strides .....            | 90  |
| Children's wear: baby boom a bust .....                     | 92  |
| Health & beauty aids: pampering shoppers boosts sales ..... | 97  |
| Sewing: "sew wars" survivors stitch wounds .....            | 98  |
| Women's wear: pent-up demand seen for '83 .....             | 100 |
| Hosiery: "patterns" off and running .....                   | 105 |
| Photo/camera: disc cameras developing fast .....            | 106 |
| Men's wear: lack of newness hampers volume .....            | 108 |
| Sporting goods: fitness stimulates healthy sales .....      | 111 |
| Consumer electronics: "Quieter" electronics sound off ..... | 112 |
| Toys: video invaders capture market .....                   | 116 |
| Electric housewares: turn-on item missing .....             | 121 |
| Lawn and garden: chemicals fuel sales surge .....           | 122 |
| Nonelectric housewares: dinnerware serves up sales .....    | 124 |
| Hobby/crafts: score a late sales rebound .....              | 126 |

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# Top 20 departments hit \$420 billion

General merchandise sales increased 7.6% in 1982 over 1981, with consumer electronics, toys and lawn and garden goods raising their sales bases by more than 20% each. Total sales reached nearly \$420 billion.

Consumer electronics rode the crest of computer and video game sales along with Middle America acceptance of personal portable stereos with headphones. In addition, big volume was done in video discs and video tape recorders.

Toys benefited from the strong licensing craze, the preschool area and dolls. Lawn and garden experienced growth from chemical sales, electronic bug killers and from patio furniture.

Housewares, which a year ago had been a sales leader, dropped off in popularity. Indeed, the increases failed to even match the 8.2% inflation rate in housewares merchandise as recorded by the Bureau of Labor Statistics.

Hosiery accessories and domestics paced all soft goods departments. Legwarmers helped kick up hosiery sales while accessories relied on mass merchants to pump out volume. Domestics continued to ride the fashion trend as stores in all tiers upgraded assortments. □

## Hot hard lines expand space

"When you're hot, you're hot, and when you're not, you're not." Retailing has a different lyric to the song. It goes, "When you're hot you grow, and when you're not you go."

The lyric applies to departmental space allocations, and consumer electronics and automobiles proved the lyric true last year. Galvanized by video games and home computers, and a resurgence in TV and stereo sales, consumer electronics departments spread out over larger turfs in discount and department stores, as well as inside Sears, Penney and Montgomery Ward.



Consumer electronics rode the crest of computer and video game sales.

The gains came on top of hefty acreage increases the previous year, a sure sign that merchants have been able to stake out profitable

claims in the \$24 billion electronics market. Department stores have been most aggressive, over the last two years having increased space

### Top 20 departments

| Rank | Department                | 1981 sales*       | 1982 sales*       | % change |
|------|---------------------------|-------------------|-------------------|----------|
| 1    | Automotives               | \$ 68,700,000,000 | \$ 72,100,000,000 | + 4.9    |
| 2    | Hardware/home improvement | 55,200,000,000    | 57,800,000,000    | + 4.7    |
| 3    | Women's wear              | 40,000,000,000    | 42,300,000,000    | + 5.8    |
| 4    | Nonelectric housewares    | 25,600,000,000    | 26,200,000,000    | + 2.3    |
| 5    | Consumer electronics      | 20,000,000,000    | 24,500,000,000    | +22.5    |
| 6    | Lawn & garden             | 18,400,000,000    | 23,600,000,000    | +28.3    |
| 7    | Stationery                | 19,800,000,000    | 23,000,000,000    | +16.2    |
| 8    | Men's wear                | 19,800,000,000    | 20,500,000,000    | + 3.5    |
| 9    | Footwear                  | 19,300,000,000    | 19,700,000,000    | + 2.1    |
| 10   | Cosmetics/H&BA            | 15,000,000,000    | 15,000,000,000    | + 6.7    |
| 11   | Domestics                 | 13,600,000,000    | 14,800,000,000    | + 8.8    |
| 12   | Children's wear           | 14,200,000,000    | 14,500,000,000    | + 2.1    |
| 13   | Electric housewares       | 13,200,000,000    | 14,000,000,000    | + 6.1    |
| 14   | Sporting goods            | 12,800,000,000    | 13,000,000,000    | + 1.6    |
| 15   | Photo/camera              | 9,000,000,000     | 9,800,000,000     | + 8.8    |
| 16   | Toys                      | 7,000,000,000     | 9,000,000,000     | +28.6    |
| 17   | Accessories               | 7,400,000,000     | 7,950,000,000     | + 7.4    |
| 18   | Hosiery                   | 4,000,000,000     | 4,400,000,000     | +10.0    |
| 19   | Sewing                    | 3,900,000,000     | 4,000,000,000     | +2.6     |
| 20   | Hobby/crafts              | 3,500,000,000     | 3,100,000,000     | -11.4    |
|      | Totals                    | \$389,800,000,000 | \$419,550,000,000 | + 7.6    |

\*Total industry sales including specialists, drug stores and supermarkets.

Source: CSA research.



by first 25% and then 20%. There seems to be little doubt that, at least in CE, department stores will not reduce their commitment, thereby ceding the business to discounters, as many did years ago with major appliances and several other hard lines.

Meanwhile, automotives, which is hoping for a turnaround this year, lost ground in discount stores and the Big 3. Penney's decision to abandon the category hurt the Big 3's overall square footage. But the do-it-yourself aftermarket remained soft in '82 and even discounters pulled back on space allocations.

Sporting goods benefited from the physical fitness craze. Exercise equipment takes up sizable space, but retailers showed a willingness to back the category. All classes of trade, from variety stores through department stores upped their sporting goods square footages.

Giftware/novelties, an offshoot of housewares, also increased space in most stores, particularly in discount stores where brass and glass pieces picked up shelf space.

Overall, hard lines expanded in variety stores, discounters and de-

partment stores, Penney's retreat from many hard lines produced the 1.8% falloff in Big 3 square footage.

The additional hard lines space in most stores is particularly noteworthy in variety and discount stores because as a complete store the average selling area shrunk. Thus the hard lines studied commanded an even greater weighted emphasis at store level. □

### ACMA methodology

□ CSA editors tracked some three million sq. ft. of new store net selling space in 1982 to prepare the Annual Census of Merchandise Allocations (ACMA). Editors zeroed in on 13 hard lines and 16 soft lines departments.

Among the stores analyzed were Sears, J. C. Penney, K mart, Burdine's, Wal-Mart, Bradlees, Target and Hecht Company.

In addition, surveys from retailers, who opened more than 160 stores combined, contributed to the merchandise space allocation analysis. □

## Little gain posted in soft lines' space

As befitting a difficult year, executives at general merchandise chains did little to alter existing soft lines space, indicate the results of CSA's 1982 space allocation study. Realizing it would be tough to boost sales, merchants generally decided to sit back and wait until this year or next to make any substantial space revisions.

Like the year before, retailers concentrated on increasing productivity from actual space rather than grasping for additional real estate. As a result, soft lines gains were meager, ranging from 1.1% gain for discounters to 3.4% for catalog chains.

Since 1982 was the year that Sears, Penney and Ward tested new store formats, it comes as no surprise that the Big 3 racked up the largest space gains. Nonetheless, as a group they are still trailing discounters in the ratio of soft to hard lines: 45.6% to 47.5%. Department stores, of course, lead the pack in soft lines space, with 68% of the mix

### Sporting goods, consumer electronics lead hard lines expansion

|                                                    | Variety stores |        |        | Discount stores |        |        | Sears, Penney, Ward |         |        | Department stores |         |        |
|----------------------------------------------------|----------------|--------|--------|-----------------|--------|--------|---------------------|---------|--------|-------------------|---------|--------|
|                                                    | '81            | '82    | % Chg. | '81             | '82    | % Chg. | '81                 | '82     | % Chg. | '81               | '82     | % Chg. |
| Avg. store gross sq. ft.                           | 13,270         | 13,000 | -2.0   | 83,740          | 81,580 | -2.6   | 141,500             | 136,750 | -3.4   | 138,200           | 140,400 | +1.6   |
| Avg. store net selling sq. ft.                     | 11,245         | 11,020 | -2.0   | 70,342          | 70,158 | -0.3   | 77,825              | 75,213  | -3.4   | 114,706           | 116,532 | +1.6   |
| 13 hard lines departments (% net selling area)     | 45.2           | 46.4   | +2.7   | 40.8            | 41.6   | +2.0   | 44.9                | 45.7    | +1.8   | 26.4              | 26.9    | +1.9   |
| Appliances                                         | N/A            | N/A    | N/A    | N/A             | N/A    | N/A    | 3.7                 | 3.0     | -18.9  | 1.8               | 1.7     | -5.6   |
| Automotives (excluding service bags)               | N/A            | N/A    | N/A    | 2.7             | 2.5    | -7.4   | 2.7                 | 2.0     | -25.9  | N/A               | N/A     | N/A    |
| Photo/camera                                       | 0.1            | 0.1    | N/C    | 0.2             | 0.2    | N/C    | 0.6                 | 0.6     | N/C    | 0.2               | 0.2     | N/C    |
| Consumer electronics                               | 0.1            | 0.1    | N/C    | 3.3             | 3.6    | +9.1   | 2.8                 | 3.0     | +7.1   | 1.0               | 1.2     | +20.0  |
| Giftware/novelties                                 | 3.2            | 3.2    | N/C    | 1.1             | 1.4    | +27.2  | 2.4                 | 2.6     | +8.3   | 1.5               | 1.6     | +6.7   |
| H&BA (inc. cosmetics)                              | 7.3            | 7.5    | +2.7   | 3.6             | 3.6    | N/C    | 1.3                 | 1.3     | N/C    | 3.4               | 3.4     | N/C    |
| Home furnishing (inc. furniture & floor coverings) | 5.1            | 5.1    | N/C    | 3.7             | 3.9    | +5.4   | 13.3                | 14.0    | +5.3   | 8.2               | 8.2     | N/C    |
| Hardware                                           | 4.4            | 4.4    | N/C    | 5.0             | 5.0    | N/C    | 6.6                 | 6.2     | -6.1   | N/A               | N/A     | N/A    |
| Housewares                                         | 6.1            | 6.3    | +3.3   | 5.7             | 5.8    | +1.8   | 2.6                 | 2.6     | +7.7   | 6.3               | 6.4     | +1.6   |
| Lawn/Garden                                        | N/A            | N/A    | N/A    | 3.3             | 3.3    | N/C    | 2.6                 | 2.6     | N/C    | N/A               | N/A     | N/A    |
| Sporting Goods (inc. apparel)                      | N/A            | 0.1    | —      | 4.4             | 4.6    | +4.5   | 3.9                 | 4.1     | +5.1   | 1.9               | 2.1     | +10.5  |
| Stationery                                         | 9.0            | 9.6    | +6.7   | 2.5             | 2.5    | N/C    | 1.4                 | 1.4     | N/C    | 1.8               | 1.8     | N/C    |
| Toys                                               | 9.9            | 10.0   | +1.0   | 5.3             | 5.2    | -1.9   | 2.1                 | 2.1     | N/C    | 0.3               | 0.3     | N/C    |

Source: CSA research.

N/C = no charge.

N/A = not available.

*Hosiery, large size and sportswear biggest space winners*

|                                                   | Variety stores |        |        | Discount stores |        |        | Sears, Penney, Ward |         |        | Department stores |         |        |
|---------------------------------------------------|----------------|--------|--------|-----------------|--------|--------|---------------------|---------|--------|-------------------|---------|--------|
|                                                   | '81            | '82    | % Chg. | '81             | '82    | % Chg. | '81                 | '82     | % Chg. | '81               | '82     | % Chg. |
| Avg. store gross sq. ft.                          | 13,270         | 13,000 | -2.0   | 83,740          | 81,580 | -2.6   | 141,500             | 136,750 | -3.4   | 138,200           | 140,400 | +1.6   |
| Avg. net selling sq. ft.                          | 11,245         | 11,020 | -2.0   | 70,342          | 70,158 | -0.3   | 77,825              | 75,213  | -3.4   | 114,706           | 116,532 | +1.6   |
| 16 soft lines departments<br>(% net selling area) | 45.4           | 46.1   | +1.5   | 47.0            | 47.5   | +1.1   | 44.1                | 45.6    | +3.4   | 66.0              | 68.0    | +3.0   |
| Boys' wear                                        | 1.7            | 1.8    | +5.9   | 3.4             | 3.5    | +2.9   | 2.3                 | 2.5     | +8.7   | 2.0               | 2.1     | +5.0   |
| Curtains/draperies                                | 2.1            | 2.1    | N/C    | 2.0             | 2.0    | N/C    | 3.4                 | 3.5     | +2.9   | 2.0               | 2.0     | N/C    |
| Domestics                                         | 5.9            | 6.0    | +1.7   | 4.8             | 4.9    | +2.1   | 4.2                 | 4.4     | +4.8   | 6.7               | 6.8     | +1.5   |
| Fabrics/sewing notions                            | 5.7            | 5.8    | +1.8   | 1.8             | 1.5    | -16.7  | 1.1                 | 0.5     | -54.5  | 0.7               | 0.6     | -14.3  |
| Girls' wear                                       | 0.8            | 0.9    | +12.5  | 3.6             | 3.7    | +2.8   | 1.9                 | 2.1     | +10.5  | 2.7               | 2.7     | N/C    |
| Hosiery                                           | 4.2            | 4.3    | +2.4   | 1.0             | 1.1    | +10.0  | 0.8                 | 0.9     | +12.5  | 0.9               | 1.0     | +11.1  |
| Infants' wear                                     | 4.1            | 4.2    | +2.4   | 4.7             | 4.7    | N/C    | 3.6                 | 3.7     | +2.8   | 1.4               | 1.4     | N/C    |
| Intimate apparel                                  | 4.7            | 4.7    | N/C    | 2.8             | 2.8    | N/C    | 3.2                 | 3.2     | N/C    | 5.5               | 5.6     | +1.8   |
| Junior dresses                                    | N/A            | N/A    | N/A    | 1.4             | 1.3    | -7.1   | 2.2                 | 2.3     | +4.5   | 3.0               | 3.0     | N/C    |
| Junior sportswear                                 | N/A            | N/A    | N/A    | 6.3             | 6.4    | +1.6   | 2.7                 | 2.9     | +7.4   | 4.5               | 4.6     | +2.2   |
| Large-size apparel                                | N/A            | N/A    | N/A    | 1.6             | 1.7    | +6.2   | 1.4                 | 1.5     | +7.1   | 1.3               | 1.4     | +7.7   |
| Men's furnishings                                 | N/A            | N/A    | N/A    | 1.0             | 1.1    | +10.0  | 2.3                 | 2.4     | +4.3   | 3.4               | 3.4     | N/C    |
| Men's wear                                        | 3.6            | 3.6    | N/C    | 6.3             | 6.4    | +1.6   | 5.3                 | 5.5     | +3.8   | 11.4              | 11.7    | +2.6   |
| Misses' dresses                                   | 0.3            | 0.3    | N/C    | 1.7             | 1.6    | -5.9   | 2.3                 | 2.4     | +4.3   | 4.0               | 4.0     | N/C    |
| Misses' sportswear                                | 8.3            | 8.3    | N/C    | 3.1             | 3.2    | +3.2   | 3.9                 | 4.2     | +7.7   | 13.5              | 13.7    | +1.5   |
| Women's accessories                               | 4.0            | 4.1    | +2.5   | 1.5             | 1.6    | +6.7   | 3.5                 | 3.6     | +2.9   | 3.9               | 4.0     | +2.6   |

Source: CSA research.

N/C = no change.

N/A = not available.

devoted to apparel and soft home furnishings. This represents a 2% gain posted over 1981.

Also reflecting the changes taking place at Sears, Penney and Ward is the space loss of fabrics/sewing notions departments. Following the trend of department stores, space was trimmed 54.5%, so that the Big 3 allocated less space than department stores to notions 0.5% vs. 0.6%, respectively.

Variety stores did an about-face this year, however. This group actually increased the amount of space slotted to sewing departments. After suffering a 5% loss in 1981, the department gained 1.8% in 1982, indicating there is still a small hard-core customer group interested in making their clothes or home furnishings.

The big space gainers across the board in 1982 were hosiery departments. Space advanced at all retail tiers, with the largest hike scored by Sears, Penney and Ward. Buyers attribute increased space naturally to increased sales, spurred by continued consumer attention to legs. Along with more space have come kickier displays.

Other departments that did well

last year should come as no shock.

Discounters increased men's wear by 10%, revealing the group is targeting this category for growth. Bradlees, for one, has seen explosive sales in men's wear with the result that the Braintree, Mass.-based mass merchant now stocks suits.

Large size women's wear departments were also the beneficiaries of additional space. With more manufacturers offering better merchandise, all retailers expect sales to blossom in this category. □

## Chains split over private label future

Retailers at many of the nation's largest chains are reconsidering their approach to private label merchandise. Some, like Montgomery Ward, are turning from a broad stroke to line and item identification for private label emphasis, while others, like J.C. Penney, are aggressively developing house brands.

But while no retailer says he is

dropping completely out of the private label business, it appears the developing trend is to take a highly sophisticated approach of making private labels work for the chains. "Where we have a strong franchise," says Marvin Stern, vp/hard lines at Montgomery Ward, "obviously, we're going to keep our own brands. But where we haven't shown a significant increase in market share, we are going with the strongest national brands."

This pursuit of a loyal customer franchise is also evident among department store companies. A corporate topsider at Associated Dry Goods notes that all of the company's stores are working to develop their own labels in order to "make a clear statement of who they are appealing to." Moreover, he adds, "it means our competitors won't be setting our prices."

The two-year recession, now ending, forced department stores into price wars on nationally branded merchandise. Profits were sacrificed to maintain sales volume and customer loyalty. With private brands, department store retailers claim customers will not devote as much time to shopping for price and



*Stanley replaces Powr-Kraft tools in hardware depts. at Montgomery Ward.*

will return to picking stores that appeal to their sense of personal style.

Traditionally, private label goods have provided merchandisers with an 8 point to 12 point edge in gross margin in hard lines, allowing promotional pricing while maintaining margins nearly comparable to national brands. The economic forces over the past two years have changed this, though.

Gross margins on nationally branded hard lines items were regularly slashed, reducing earnings across the board. "What was happening," notes one Sunbelt discount senior buyer, "was that people were waiting a little longer and then spending a few dollars more to get a national brand item. I think they were willing to pay the small difference [as national brand prices dipped down to private label ticket range] to be assured of quality."

Montgomery Ward has made the most dramatic changes in private label merchandising. After years of attempting to develop a strong following for its Powr Kraft tools, the company has closed out the line. "We felt that we could make faster inroads in market share with national brand names," says Stern. Ward stores now carry Stanley in hand tools and Black & Decker in

power tools.

In paint, though, Ward is staying with its own label. "We have an excellent franchise," adds Stern. "Ward's Durability Plus and Custom Color paints are in the top three among market share."

Nor is there any need for Ward to feature the manufacturer's name on the cans or in advertising. "The customer recognizes the quality," concludes Stern.

The same is not true with personal care appliances, however. At Ward, most personal care electrics

### **Developing trend is to take a highly sophisticated approach of making private labels work.**

are branded and items that still sport the Ward logo include the manufacturer's name. For example, the Ward back massager unit is labeled Montgomery Ward by *Pol-lenex* and the company's Pro-Style hair dryer and Curl Dazzler hairsetter are clearly marked by *Conair*.

K mart has taken the same tack with its own paint and tires, among other lines. The nation's second largest retailer advertises its Per-former paint as paint with "quality

by Dutch Boy, price by K mart." The same is done with the company's Olympian II tires.

And while a K mart spokesman denies the chain is downplaying private labels, both consumer electronics and housewares departments show a marked shift in emphasis. In consumer electronics, the television line has been expanded more than fivefold. But of the 62 sets displayed in one Chicago suburban store, only two were signed with the KMC (private label) logo. And even these bore the maker's TMK mark on the sets themselves.

Aiming at hitting highly competitive opening price points in small electrics, the packaging of K mart's "Garden Pattern" items has been changed from no brand name to "Robeson since 1879."

**Apparel:** Private label merchandise continues to be sought by department stores as competition heats up from rival stores and off-pricers. Private label apparel is, of course, a way for the store to distinguish itself from others, as well as a means to garner higher mark-ups—some running 15% to 20% higher. Moreover, private label goods can offer consumers good buys at middle price points.

Department stores such as Lord & Taylor and Saks Fifth Ave. are brandishing their names in front of consumers so that they can establish the same recognition consumers have with designers. By contrast, stores such as Federated and Allied have been putting their money behind names created or bought by them. Federated, for example, is using in its women's wear department Cacharel, a one-time popular middle-to-upper price department store resource. At the same time, Federated has created its own brand in men's wear, Allan Sully.

Catalog chains are also stocking more private label, but with a difference. They are supporting labels sporting celebrity names, sports figures or designers in order to gain credibility with consumers. A line like Cheryl Tiegs, for example, affords Sears consumer recognition. Shoppers go to the chain believing they're buying a national brand while in reality it's Sears' own.



With the introduction of the Halston III collection, Penney executives say they can compete with department stores—Penney's challenge for the 80's. Halston III, exclusive with Penney, confers status to the chain and, Penney hopes, will attract once loyal department store customers.

That's not to say that private label programs such as Penney's Plain Pockets, The Fox and The Hunt Club have not been successful. They have. But consumers have bought them on an item basis. □

## Horns that blow Dixie fail to rise

One buyer explains his decision-making process this way: "If I like a product," he says, "then I know it won't sell." And there are occasions when shoppers don't think much of an item either, which plunges buyers into that no-man's land of markdowns and Pet Rocks that are a season or two behind the times.

Take teddy bears. One enterprising gold buyer for a Midwestern jewelry chain was betting that gold teddy bear charms would become the rage among women of all ages. After all, she thought, everyone had a soft spot for teddy bears and, certainly, gold. There was one problem, however. The nation was smack in-between teddy bear crazes. The jewelry chain was soon offering gold—teddy bear charms at drastically reduced prices.

Another buyer, this time for a major Sunbelt discounter, had the same problem with automobile horns.

This buyer was absolutely convinced that Southern men, pumped up with geographic patriotism, would jump at the chance to equip their vans and pick-up trucks with horns that played Dixie everytime they wished to harass drivers with out-of-state license plates. "I thought this was a great idea and would go like gangbusters in our market," the buyer explains. "They didn't do a thing. Zero. I was stuck



with them but fortunately I had just bought few enough to test in some of the stores."

Michael Welsh had a bigger problem.

Welsh, president of Indianapolis-based Danners, import subsidiary, Damex International Inc., found himself stuck with a truckload of canning jar lids that he says was just a hard-learned lesson for a "hungry buyer who was trying to make a name for himself."

In the mid-1970's, Welsh recalls, Danners needed jar lids for accessories to meet the demand created by a nationwide canning fad. "A company said we could have these lids that came 10 to a box," recalls Welsh. "And because I had dealt with this fellow before he said 'I'll let you have a truckload.'"

"Well," Welsh continues, "you can't imagine how many canning lids you can get on a truckload. Unfortunately, they were an off-brand that didn't fit on the most popular canning jars women were buying. I paid 60¢ for a pack and sold them for 97¢. The last I heard we were selling 10 packages for a \$1.

"It took us three years to get rid of them and for years people around

here were calling me the 'canning jar lid buyer.'"

A buyer for a mid-Atlantic discounter logged his memorable error when he purchased a shipment of imported hand tools that could be rolled up and neatly tucked into the corner of the automobile trunk.

"I thought these things were great and we could sell as many as we could get our hands on. It was a bomb and we had to clear them out for a lot less than the \$16.88 we originally sold them for," he says adding that it turned out that serious auto repair do-it-yourselfers were not in the least bit interested in budget hand tools.

That wasn't his only mistake, but the only one he cared to admit to. "I'm not saying I haven't made a lot of dumb mistakes," the buyer says. "I'm just saying that I'm trying to forget some."

But perhaps Wal-Mart buyer Rick Russell best explains the empty feeling of product purchase miscalculations. Asked if he would share any stories of his own buying mishaps, Russell said, "I've only been at this for two years now, so the mistakes I've made haven't been too humorous." □

# AUTOMOTIVES

Sales: \$72.1 billion



Sales of maintenance-related products and services were flat last year.

## Accessories ignite profit jump

The average age of cars on American highways rose to approximately 7.0 years in 1982, but this increased longevity isn't due to increased care from consumers.

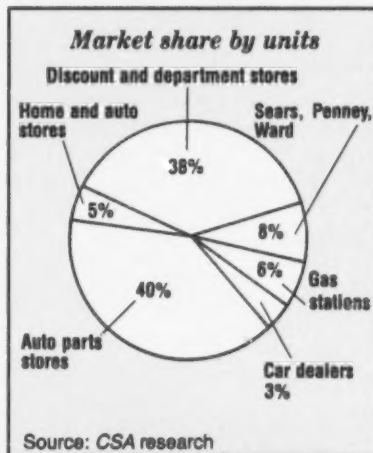
Retail sales for aftermarket products and services were flat last year and downturns were reported in motor oil and other engine care items. "I don't understand the downturn in oil sales," says Joe Phillippi, auto industry analyst at Dean Witter Reynolds. "I don't think people just decided to neglect changing their cars' oil. It may be a matter of the increased intervals between changes and the number of 'gas only' service stations. Consumers just aren't being reminded that an oil change is necessary."

But while sales of maintenance-related products were off, decorative accessories turned in strong results for the year. "They may not care about what's happening under the hood," says an auto service manager for a New England Sears store, "but people want their cars to look nice."

Mirrors, travel caddies, seat covers and other accessories posted sales gains in the 10% to 20% range at most chains. Body repair kits and touch-up paints were also strong sellers. Though sales of accessories and waxes and polishes more than made up for the decline in engine chemicals, the bulk of the business

was at the low end.

"Expensive items, like aftermarket wheels, were very weak last year," says Phillippi. He notes that the same economic pressures that



| Productivity breakdown                                                                                                      |              |       |                      |
|-----------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                             | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                       | \$110        | \$125 | \$115                |
| Annual turnover                                                                                                             | 1.0          | 1.5   | 1.8                  |
| Gross margin                                                                                                                | 29.3%        | 27.5% | 28.2%                |
| Source: CSA research                                                                                                        |              |       |                      |
| Growth areas                                                                                                                |              |       |                      |
| <ul style="list-style-type: none"> <li>• Waxes/polishes</li> <li>• Car stereos</li> <li>• Decorative accessories</li> </ul> |              |       |                      |

are forcing consumers to keep their cars longer are keeping them out of the high end of accessories.

One high-ticket category that is performing well for GMers is car stereo. Retailers report dollar increases for auto audio in the 25% to 35% range. "Our most popular price point for a car stereo is \$179," according to Lou Bernucca, dmm at Woburn, Mass.-based Lechmere. "We cover all price points up to \$499, but the opportunity area is the upper-middle range."

Unit sales for auto audio are expected to increase by less than 10% this year, but the dollar gains and average 35% gross margins are a significant aid to general merchandise aftermarket retailers' bottom lines.

For GM chains with automotive service operations, the withdrawal of J. C. Penney from the market and the closing of about 450 K mart service centers is good news. National chains, like Montgomery Ward and Sears, should be in line to pick up much of this business.

"Certainly the withdrawal of Penney's from the hard lines and automotive fields provides an opportunity for other retailers to capture at least that segment of their customer base," notes a spokesman for Montgomery Ward. "We feel many Penney's customers will shift their business to Ward in communities where we offer parallel services and products."

Phillippi points out, though, that Firestone's commitment to take over and operate approximately 300 of the Penney's auto stores may keep the customers coming back. "There is a real demand for competent automotive service which comes with some kind of guarantee," he says.

Retailers and analysts agree that a turnaround in the automotive aftermarket is likely for this year, but they caution that it will take general consumer acceptance of the economic recovery. "Before consumers start spending more on their cars they're going to have to see the effects of the recovery, not just read about it in the paper," notes Phillippi. □

# HARDWARE/HOME IMPROVEMENT

Sales: \$57.8 billion



Spurred by the growing do-it-yourself market, paint sales remained solid.

## Hardware lumbers along slowly

For the second consecutive year, hardware/home improvement sales crept along at a slow growth rate. In 1982 total retail sales were \$57.8 billion—up 4.7% from \$55.2 billion in 1981.

The do-it-yourself hardware classification was one bright spot, however. Sales were up 7.6% to \$29.8 billion in 1982 and will increase an estimated 11.1% to \$33.1 billion this year, according to the Indianapolis-based DIY Research Institute.

Power tool sales were flat in most major markets. Buyers say consumers are slow to replace the durable tools and users also tend to borrow a power drill from a neighbor in lieu of purchasing the staple category device. "Power tools were just way off the mark," says Indianapolis-based Danners hardware buyer, Dennis Bush.

Some chains had better luck. Big 3 leader Sears reported strong sales in both the bench and power electric tool classifications while a buyer for a major mid-Atlantic States discount store says bench power tools sold unexpectedly well.

"One of the big surprises of last year, at least for us, were the bench type tools," says the buyer. "The table saws did well and so did drill presses and grinders. The do-it-yourself homeowners had a very positive effect on the success of this

category."

Kerosene heater sales received mixed reviews from buyers. The controversial units—which were cited for safety hazards by *Consumers Reports* magazine—were strong sellers in 1982, but also appeared in more outlets. "Kerosene heater sales dropped off for us substantially," explains one buyer. "People are not buying any less of them but more people are selling them."

Nevertheless, Danners' Dennis Bush says the discounter is banking on heavy kerosene heater sales in the '83-'84 winter season. "We are going after kerosene heaters pretty hard," says Bush. "We had a 90% sell-through last season and the industry average is about 20% to 25%."

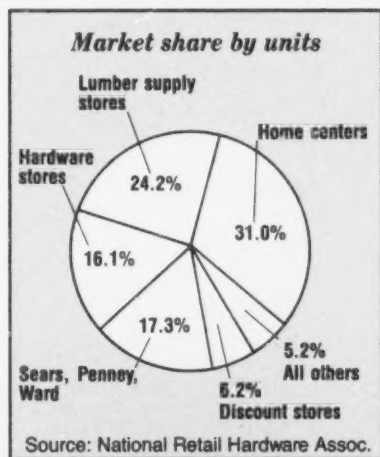
In other classifications, hand tools and paint were growth areas, according to buyers.

Consumers, buyers say, are beginning to trade up from the lower-quality house brand tools to national brand merchandise such as Stanley. Paint (especially spray paint) has also been a strong classification for hardware/home improvement departments, which buyers say is directly attributable to the growing do-it-yourself movement.

Energy-saving devices and materials, however, suffered from an unexpectedly mild winter according to buyers. The classification was tabbed as a growth area for 1982 but apparently lost steam due to the weather and the drop in oil prices. But as energy prices slowly creep up again, energy-related materials could be a classification to watch in 1983.

For 1983, most buyers say the hardware/home improvement market will remain much the same, with slow growth and a few bright spots within the assortments. The do-it-yourself classification will remain the strongest area as evidenced by recent moves by both Sears and K mart. The top two retail chains unveiled hardware/home improvement prototype departments last year.

But for most general merchandisers, 1983 may be another year of lagging hardware sales. As one buyer puts it, "So far, hardware has been in the doldrums. Nothing seems to be shining."



| Productivity breakdown                                                          |              |       |                       |
|---------------------------------------------------------------------------------|--------------|-------|-----------------------|
|                                                                                 | Dept. stores | Big 3 | Class merch./ variety |
| Sales per square foot                                                           | \$110        | \$185 | \$155                 |
| Annual turnover                                                                 | 2.0          | 4.5   | 3.6                   |
| Gross margin                                                                    | 35.7%        | 35.0% | 28.6%                 |
| Source: CSA research                                                            |              |       |                       |
| Growth areas                                                                    |              |       |                       |
| <ul style="list-style-type: none"> <li>• Paint</li> <li>• Hand tools</li> </ul> |              |       |                       |



## DOMESTICS

Sales: \$14.8 billion



Coordinated accessories spark sales for this high-margin classification.

### Kitchen textiles wring out sales

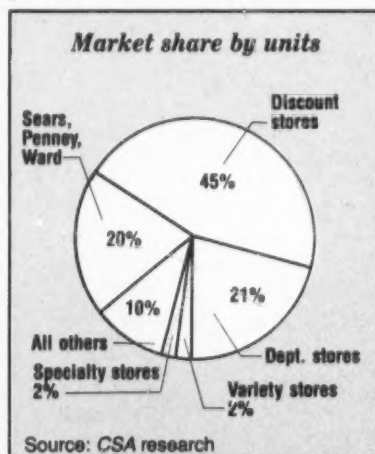
An unusually warm winter, the increase in off-pricers and consumers continuing to monitor their spending contributed to soft sales gains in domestics in 1982. Retailers note increases of less than 10% overall, with profits reaped from high-margin departments such as table linens and kitchen textiles.

"Nineteen eighty-two was very promotional," summarizes Gail Lebert, Sage-Allen's domestics dmm. Like many other retailers, Lebert will be looking to strengthen '83 sales in her volume businesses—sheets and towels. She says, "We're trying to emphasize in-stock, year-round, basics." Additionally, she'll be spot testing new businesses, like waterbed sheets, and gauging results by sell-through compared to the day-in/day-out business from similar categories.

Harold Crane, domestics mm of Fred Meyer, also looks to new businesses for growth this year. His 65 stores just introduced a line of waterbed linens and will emphasize flannels in the fall. One of the top growth areas in sheets over the past few years, 200-threads, is "peaking" or "downtrending," say several department store retailers. However, upscale discounters are trying their hands at this classification.

For instance, Gold Circle recently ran a catalog page devoted to Bibb's High Society priced at \$19.99

for a twin-size set, \$29.99 for a full-size set, and \$39.99 for a queen-size set. "We are very pleased with the results," says Steve Fishman, vice president/divisional merchandise



| Productivity breakdown                                                                                                                                  |              |         |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------|----------------------|
|                                                                                                                                                         | Dept. stores | Big 3   | Mass merch./ variety |
| Sales per square foot                                                                                                                                   | \$86.50      | \$82.00 | \$95.00              |
| Annual turnover                                                                                                                                         | 2.1          | 2.3     | 1.7                  |
| Gross margin                                                                                                                                            | 42.5%        | 35.0%   | 32.3%                |
| Source: CSA research                                                                                                                                    |              |         |                      |
| Growth areas                                                                                                                                            |              |         |                      |
| <ul style="list-style-type: none"> <li>• Flannel sheets</li> <li>• Waterbed sheets</li> <li>• Kitchen textiles</li> <li>• Priscilla curtains</li> </ul> |              |         |                      |

manager of Gold Circle's soft home.

In towels, retailers are realigning solid color assortments and cutting back on selections in embellished numbers. One department store executive confides that consumers have become "more practical"—they don't want embellished towels for everyday use.

At Bergner's, domestics dmm Duff Algren says, "We've taken a look at towel pricing as part of a storewide value/image program." He explains that while Bergner's carries the same items as other department stores, it has lowered prices "to become more realistic" in terms of consumer expectations.

Soft towel sales at all levels have been very disappointing, retailers say. One industry source suggests that retailers need more POP signs that encourage customers to touch or to feel the difference.

Kitchen textiles, on the other hand, continue to present sales opportunities. Several retailers admit that they've neglected this high-margin category (averaging between 45% and 50% gross margin) too long. At Sage-Allen, for instance, Lebert hopes to capitalize on impulse shopping to spark multiple sales. The 13-store chain offers coordinating kitchen accessories and changes the theme every two to three months.

Caldor takes coordination a step further in a recent catalog ad. It shows the "Mushroom Patch" kitchen ensemble—which includes a pot holder on sale for \$1.27, oven mitt, on sale for \$2.77, and kitchen towel, on sale for \$1.97—with matching tier curtains, swag and valance, retailing on sale for \$4.44 (24-in. tier) or \$4.88 (36-in. tier). Swag and valance alone are priced at \$6.44 and \$3.44 respectively.

While Priscillas, tiers and panels continue their upward growth, ready-made draperies continue to drain sales of window coverings. "Draperies were nothing short of disaster," says Gene Hein, mm for curtains and draperies at Spurgeon Mercantile Co. "Customer resistance to price and the lack of innovation on the manufacturers' side have created this problem." □

# ACCESSORIES

Sales: \$7.95 billion



Awareness of what's happening in apparel is key to accessory sales.

## Accessories hot at mass merchants

In 1982, accessory sales took off at mass merchants. Once considered the domain of department stores, accessories are now lively bottom-line contributors to mass merchants such as Sears, Clover and K mart.

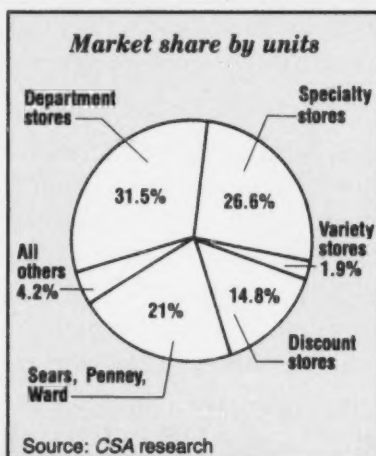
Consider, for example, Sears. The nation's No. 1 retailer is aiming, according to published reports, to push accessories volume to \$150 million in 1984, up from an estimated \$100 million in 1982. Or take K mart. In the first quarter of 1983, fashion accessories were ahead 11% over 1982.

Accessories have traditionally been regarded as recession-proof, thought of by buyers as quick in-and-out items. In hard times, consumers bought them to upgrade wardrobes; in easier times, to enhance wardrobes. This is no longer the case for all accessories. Today many can cost as much as apparel, canceling them out as impulse purchases. Still, as one buyer says, "A hair pin priced under \$5 can jazz up a women's mood."

Last year, accessory sales were up 7.4%, according to CSA estimates. As purveyors of many small businesses such as handbags, scarves, small leather goods, umbrellas, gloves, belts, hair items and jewelry, buyers say there is always one category that can be relied upon to boost sales. As a spokesman for

Hayward, Calif.-based Mervyn's puts it, "Something is always hot."

This year, department store buyers are highlighting bright, bold colored accessories, scarves that



| Productivity breakdown                                                                                                   |              |       |                      |
|--------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                          | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                    | \$177        | \$132 | \$110                |
| Annual turnover                                                                                                          | 4.5          | 4.2   | 3.6                  |
| Gross margin                                                                                                             | 48%          | 45%   | 41%                  |
| Source: CSA research                                                                                                     |              |       |                      |
| Growth areas                                                                                                             |              |       |                      |
| <ul style="list-style-type: none"> <li>• Neckwear</li> <li>• Rubber items</li> <li>• Brightly colored jewelry</li> </ul> |              |       |                      |

wrap at the neck and rubber items. At mass merchants, continued refinement of assortments will take place—to see just how much consumers will spend for these goods.

"The Japanese influence will definitely be felt in accessories this year," says a spokesman for Minneapolis-based Dayton's. She is referring to clean structured lines that will predominate as well as to colors. "Everything will be disciplined," she says.

In department stores this year, consumers will also see rubber goods, which buyers deem another result of the Japanese influence. At Los Angeles-based The Broadway, there will be rubber belts and handbags. "We feel consumers are ready for rubber as many of these items are slick and fun," says a store spokesman.

At mass merchants, the emphasis will be on offering more quality merchandise in upgraded environments. "The ambience can make all the difference," reports a Sears spokesman who speaks from experience. At Sears' experimental soft lines store in Vernon Hills, Ill., regrouping accessories in attractive areas has led to large sales hikes.

"The new display areas forced us to take a sharp look at assortments," explains a Sears spokesman. In the case of belts, handbags and gloves, the number of sku's carried were slashed. What's more, higher price points were added. Result: increased sales.

At Mervyn's, where assortments have been finetuned in the past five years, accessory sales have blossomed. Increases this year are expected to be the same as Mervyn's sales' hikes. Price points have risen, says a store spokesman, but not to the point where the store has abandoned the low end. This means, for example, that belts will run from \$4 to \$15. It also means Mervyn's will stock belts similar to department stores, interpreting styles for their shoppers.

For Mervyn's buyer and others, the key to accessory sales is "to be aware of what's happening in apparel. Accessory looks are dictated by ready-to-wear." □



Dividing line between home and personal computers is blurring more and more.

## Minicomputers tab big gains

Last year may go down in history as the "year of the computer," but it was only the beginning of the retail sales surge predicted to continue throughout the rest of the decade.

More than 1.5 million home computers were sold in 1982, with department and discount stores accounting for nearly half of all sales. This year, industry watchers say sales will top \$2 billion for home computer consoles alone, with between five million and seven million units being sold by year's end.

"Selling home computers isn't the problem," notes a Sunbelt department store dmm. "Getting the product is our problem. Whatever the manufacturers deliver, we can sell."

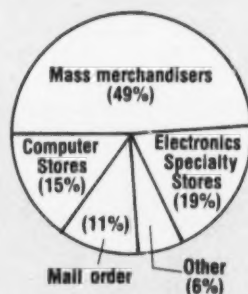
But while sales have skyrocketed, intense price competition at both the retail and wholesale levels has virtually wiped out any profit margin. "Six months ago, we were getting about 27% gross margin on the computers," says an electronics department manager for a New England discount chain, "but today, I doubt we're getting even 10%."

Price reductions from manufacturers have come so fast and so often that many chains are unable to keep up. Most chains were still selling the Timex/Sinclair 1000 for \$69.95 three weeks after Timex began running a national television ad campaign touting the unit's \$49.95

price point.

Where the price wars will leave home computer tickets is anybody's guess. To counter the margin-busting moves for computers, retailers

Market share by units



Source: Future Computing Inc.

Productivity breakdown

|                       | Dept. stores | Big 3 | Mass merch./ variety |
|-----------------------|--------------|-------|----------------------|
| Sales per square foot | N/A          | N/A   | N/A                  |
| Annual turnover       | N/A          | N/A   | N/A                  |
| Gross margin          | 22%          | 20%   | 18%                  |

N/A: not available

Source: CSA research

### Growth areas

- Computer packages
- Peripherals
- Educational software

and manufacturers alike are creating package deals. "The basic computer really won't do anything," notes Frank Remalely, electronics buyer for G. C. Murphy. "The customer is going to have to buy a certain number of peripheral pieces of hardware and some programs. If we put the package together, then we can pick up a few margin points and give him a system he can use."

Despite the move to packaged systems with prices ranging from \$299 to more than \$750 and the 40% to 50% gross margins on individual software programs, GMers say they expect to earn only 18% to 22% gross margin from sales of all computer products.

Virtually all chain buyers say they are sticking with home computers and steering clear of the small-business market.

But the dividing line between home and personal computers is blurring more and more. If the price point for the Apple IIe drops to \$600, as is rumored, at least one upscale discount chain is planning on carrying the unit.

The intense interest in home computers didn't severely damage sales of video games last year, but retailers are divided on the future of video games. Remalely says he believes there are still two distinct customers: one for games and one for a home computer. "But it's going to be a matter of price," he adds. "We've already promoted the Atari 2600 VCS for under \$50." At that price, a video game console may appear attractive to the noncomputing customer. But without a concurrent drop in the price of game cartridges to "below \$15" an Oklahoma City department store buyer says game sales will continue their first-quarter sales nose dive.

"The million-dollar question for 1983 is whether keyboard add-ons for the game consoles will sell or not," says Remalely. "With the price of a home computer under \$100, it doesn't make much sense for a customer to spend \$90 for a keyboard for his old game console." Other industry insiders, though, say the add-ons will sell "like crazy for a year or so." □



# STATIONERY

Sales: \$23 billion



Thanks to stable postage rates, greeting cards witnessed a mini-boom.

## File keeping need spurs growth

The continued need for consumers to maintain organized files at home is keeping sales growth on track with chain buyers reporting 1982 gains of 12% to 19%.

"People are much more interested in keeping their home files in order than they have been in the past," says Woolworth buyer Bill Young. "The real surge began five years ago and there doesn't appear to be any slackening in sight for the near future."

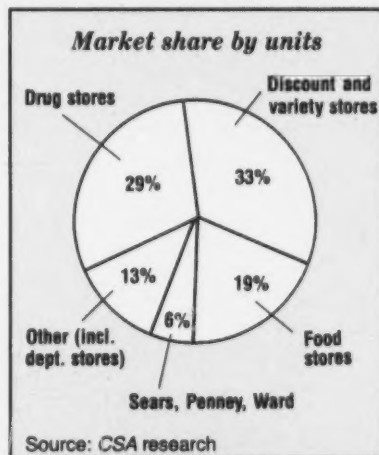
But while the upward trend is undiminished, more and more diverse outlets are getting into the business, forcing retailers to take more competitive positions. "File cabinets are very strong sellers when promoted," notes Young, "but today they're definitely promotional items."

One way to approach increased competition is to avoid the utilitarian units in favor of more attractive models. Sears is one chain taking a "furniture approach" to the home office category.

"There is an increase in the growth of the home market due to the fact that manufacturers are making products that are more compatible with the home decor," says a Sears spokesman. "Customers are looking for units that fit in better in the home atmosphere."

The higher price points for these models haven't dampened consum-

er enthusiasm, according to both department and discount store merchandisers. "Basic beige steel cabinets are still our top sellers," notes a Mid-Atlantic discount store



| Productivity breakdown                                                                                                                      |              |       |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                             | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                       | \$118        | \$129 | \$142                |
| Annual turnover                                                                                                                             | 5.0          | 4.5   | 4.3                  |
| Gross margin                                                                                                                                | 52%          | 45%   | 50%                  |
| Source: CSA research                                                                                                                        |              |       |                      |
| Growth areas                                                                                                                                |              |       |                      |
| <ul style="list-style-type: none"> <li>• Home office</li> <li>• Greeting cards</li> <li>• File cabinets</li> <li>• Erasable pens</li> </ul> |              |       |                      |

buyer, "but the strongest growth is coming from wood-veneer units."

But while file cabinets, dividers and folders are continuing their upward surge, other desk accessories aren't faring as well. "Today, we're looking at a saturated market for plastic desk accessories," says Young. "Sales haven't dropped off, but there is no longer any unusual increase in sales."

One home/office category that appears to be on the verge of explosive sales is computer desks for the home. With an estimated seven million computers expected to be sold this year, consumers are looking over knock-down furniture designed specifically for computers, printers and other accessories. Retailers are already responding. At Sears "store of the future" in Vernon Hills, a Chicago suburb, four of the seven desks featured in the home office department are for computer use.

Greeting cards are also experiencing a mini-boom. Following the dual postage increases during the second half of 1981, card sales tumbled. "Those postal rate hikes came just before Christmas and really creamed the market," notes Steve Kiviat, stationery buyer for Filene's in Boston. "People have gotten used to the new costs and sales have come back."

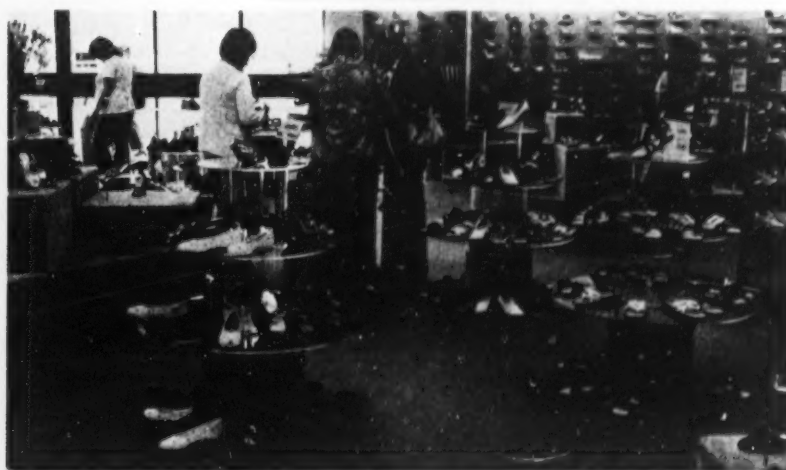
But Kiviat and most other buyers are leery about the impending increases now being studied by the Postal Service. "If they come this year, I think we'll see another nosedive in sales of cards and stationery," Kiviat says. "But if they don't go into effect until January 1984, then I think we'll be able to handle it."

In variety and discount stores, sales of erasable pens are strong and should remain that way throughout 1983. "There is still a novelty aspect to the erasables," notes Young. "Right now they're hot and will be through the back-to-school season."

Back-to-school also looks to be a very good season this year. Lower prices on key paper goods and pencils should remain in place through early 1984, according to Young. □

# FOOTWEAR

## Sales: \$19.7 billion



Best sellers last year proved to be the low-priced, nonleather shoes.

## Athleisure makes giant strides

Shoe volume reached a peak of \$19.7 billion, a gain of 2.1% over last year—less than the average GM gain. Units of men's, women's, children's and athletic shoes increased by 30 million to 979 million units.

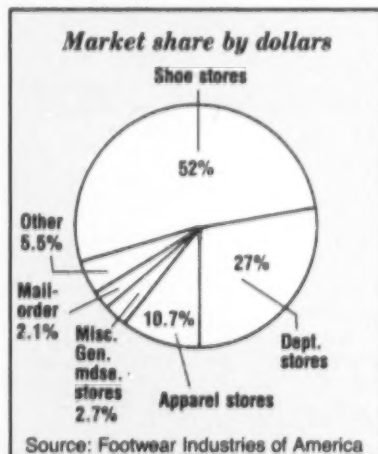
Athleisure footwear, those styles bought for casual and/or active use, made the biggest impact of any style trend. The term, coined to describe apparel that is neither exclusively activewear nor sportswear, came into play in footwear also. Athleisure shoes started taking off in men's, women's and children's departments in '82, continuing a trend for sporty shoes that shows no signs of abating this year.

"It's a very important classification," says Dorothy Szlachta, dmm/footwear at Philadelphia-based Strawbridge & Clothier. "The beginning was last year, and it looks fantastic for '83. Initially, athleisure styles were selling well with canvas uppers. Now the trend is toward leather."

The athleisure classification at department and discount stores is taking some sales away from traditional athletic shoes like joggers and court styles, that were being bought for leisure wear, says Alan Beatty, div. vp/shoes at Hayward, Calif.-based Mervyn's. "The impact really won't be felt until '84," Beatty notes. By then, the more tapered,

casual looks, which Mervyn's is showing in colored and striped canvas, may begin stealing sales from women's flat sandals.

Beatty also sees a tremendous



| Productivity breakdown                                                                                                                     |              |       |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                            | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                      | \$157        | \$163 | \$117                |
| Annual turnover                                                                                                                            | 2.3          | 2.7   | 2.0                  |
| Gross margin                                                                                                                               | 44.5%        | 38.3% | 36.8%                |
| Source: CSA research                                                                                                                       |              |       |                      |
| Growth areas                                                                                                                               |              |       |                      |
| <ul style="list-style-type: none"> <li>• Athleisure</li> <li>• Women's pumps</li> <li>• Boots</li> <li>• Spectator color combos</li> </ul> |              |       |                      |

growth potential for athleisure styles with Velcro closures. "Sometimes 50% of our athleisure sales are in Velcro," he says, noting that Velcro is most likely worn as a casual, not sport, shoe.

The emphasis on leisure-time looks has also boosted sales of casual shoes for women, such as moccasins and oxfords, says a source at Chicago-based Marshall Field's. Best-selling styles fall into the \$40-\$45 range.

For the industry in general best sellers proved to be low-price, non-leather shoes for \$10-\$12, says Harold Gessner, executive director of the Footwear Council.

In casual footwear, the rubber-canvas category is on a downswing. "Three to four years ago, 1 out of every 4 shoes sold was rubber-canvas," says Gessner. "Now it's 1 out of 5." Athleisure styles, which are not exclusively confined to the rubber-canvas classification, have picked up the slack, as have "authentic" athletic shoes.

Of dollars spent last year on footwear, \$14.5 billion went toward "true" shoes. Sneakers and other rubber and plastic styles accounted for \$2.5 billion in sales. Another \$2.2 billion was spent on athletic shoes, says Dundar Shetty, mgr./statistics and services at Footwear Industries of America.

For women, 1982 marked the beginning of a new pump era, and pump looks should continue strong through the end of '83, as well as most career and closed styles. Anne Gilliar, fashion director of the Volume Footwear Retailers of America, also sees the cutout closed shoe on a higher heel emerging. Except for casual shoes, flats have declined in importance.

Boots were a big factor last year, says Strawbridge's Szlachta, but mainly on a promotional basis. This trend will continue in '83, she thinks, since shoppers are still concerned with price. John Freudenthal at the May Co.-California is also predicting a strong boot year, as is Volume Footwear's Gilliar.

Children's shoes declined slightly over last year, says Gessner, mainly attributable to demographics. □

# CHILDREN'S/INFANTS' WEAR

Sales: \$14.5 billion



Activewear was a standout all year long for both older kids and babies.

## Baby boom a bust for kids' wear

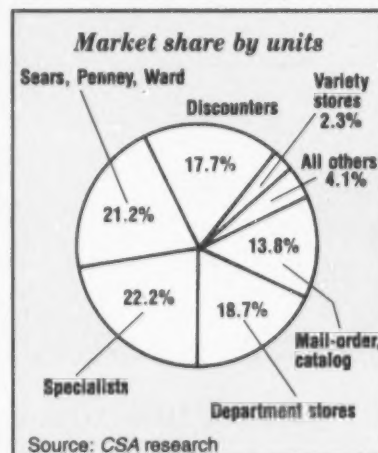
The new baby boomlet has helped infants' and toddlers' wear sales to date, where volume has been above plan. For the total children's wear area, however, sales crept up only 2.1%, to \$14.5 billion. Units declined 3.6% to 2.7 billion.

"Infants and toddlers was much stronger than store trend," says Vern Stigge, exec. vp/merchandising at Hayward, Calif.-based Mervyn's. Besides apparel, especially fleece in small sizes, Mervyn's did well with layette furniture, strollers and car seats. The latter is expected to continue strong through this year, as a change in safety laws made car seats mandatory in California as well as other states.

Mervyn's, however, isn't sitting around waiting for the baby boomlet to come into its stores. The soft lines department store is aggressively going after the new business, prebirth. Mervyn's has had a strong maternity area, says Stigge, and is targeting these customers via direct mail pieces relating to infants' and toddlers' needs.

Older children's departments were generally below plan across the country, though there were some strong classifications. Activewear, in particular, was a standout all year long for both older children and babies. Durability made it especially appealing to penny-pinching parents, and the look was popu-

lar with children, who, like their parents, want to look active whether they play sports or not. Fleece was the best-performing activewear fabrication, expected to



| Productivity breakdown                                                                                               |              |       |                      |
|----------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                      | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                | \$89         | \$103 | \$94                 |
| Annual turnover                                                                                                      | 2.9          | 3.0   | 2.7                  |
| Gross margin                                                                                                         | 42.4%        | 39.3% | 34.4%                |
| Source: CSA research                                                                                                 |              |       |                      |
| Growth areas                                                                                                         |              |       |                      |
| <ul style="list-style-type: none"> <li>• Activewear</li> <li>• Sweaters</li> <li>• Vests</li> <li>• Minis</li> </ul> |              |       |                      |

continue well into 1983.

Parents appear to be spending less on children's wear. More expensive lines, like status and designer names, generally performed poorly. An exception to this trend was at Philadelphia-based Strawbridge & Clothier. Designers were strong in children's lines, says Ronald Avellino, dmm/children's, especially Gloria Vanderbilt for girls.

But Strawbridge, like many other department stores, also emphasized reasonable prices and good values last year in an effort to boost market share, which has been eroding to catalog chains and discounters. Strawbridge's is stressing "value pricing," although Avellino says, "The customer still wants to perceive us as a department store." That means Strawbridge must continue to carry brand names—but at good prices.

Minneapolis-based Dayton's is another department store that is trying to let children's wear shoppers know it has values. A key strategy at Dayton's, which merged budget departments with upstairs departments last year, is its "Value Plus" program. Value Plus is aimed at fighting back at discounters by offering department store customers day-in/day-out values. That way, says Mary Fries, sr. buyer, shoppers won't wait for promotions.

"We want to show we're priced just as good as the discounters, and that we have better assortments," says Fries. While brands are included under the Value Plus handle, Dayton's is mainly stressing private label and no label for kids' wear. "We expect that private label will account for 20%-40% of our business next year," adds Fries.

Mervyn's is also pushing private label, particularly the Unicorn Club concept started last year. Unicorn Club, Mervyn's version of Ralph Lauren's Polo look, ranked as one of the better performers in the girls' area.

Besides active looks, retailers also feel positive about new pants silhouettes, vests, novelty sweaters, dresses for girls and dress-up for boys, and miniskirts and minidresses for girls. □



# COSMETICS/H & B A

**Sales: \$16 billion**



Men's readiness to buy H&B A reflects change in societal attitudes.

## Pampering shoppers boosts sales

The health and beauty aids market grew 6.7% to \$16 billion last year, with growth coming from underdeveloped categories such as skin treatments and "pampering" products.

Fragrances had only a fair year, showing an increase in dollar volume and a slight gain in units. Weinstock's cosmetics and fragrance dmm Frank Knowles explains, "There was a lot of resistance to prices. Every other department in the store was on sale. We [cosmetics and fragrances] were the only department not on sale... we don't take markdowns."

For 1983, retailers and analysts are hopeful. Maryann Sama, a consultant with Charles Klein & Co., says that marketers will keep their prices down, sparking better unit growth. However, she expects dollar growth to be flat. The merchandise retailers are watching include products that make customers feel better, such as skin and body treatments and vitamins.

While skin care expanded during 1982, Sama says it did not grow as rapidly as the year before. Phil Woods, pres. of Putnam Assoc., retail analysts, agrees, adding that the business was more items-oriented last year rather than a regimen. Two hot items picked for this year include Elizabeth Arden's Lip-Fix and Estee Lauder's Night Repair. At

Bloomingdale's in New York they retail at \$10 for a 5-oz. tube and \$35 for a 0.87-oz. bottle, respectively.

Unlike skin treatments, entire body treatment regimens for wom-

en are growing. "Treatment doesn't stop with the neck," says Putnam's Woods. He explains that cosmetics and fragrance companies are building lines around baths which include scrubbers, massagers, sluffers and moisturizers.

One such line mentioned by several department store merchants is Estee Lauder's European Body Treatment Spa. This line divides products into three basic groups: bath and shower, moisturize and condition, and special care. Prices at Bloomingdale's range from \$6.50 for the Extremely Effective Antiperspirant, a special care item, to \$35 for European Moisture Supplement Body Creme or European Bust Conditioning Creme.

The idea of a skin regimen isn't only for women; it's spreading into men's also, say retailers. One of the most notable lines to debut is called Solutions from the Skin Research Group. It divides products by beard growth and also includes aftershave cooler and moisturizer.

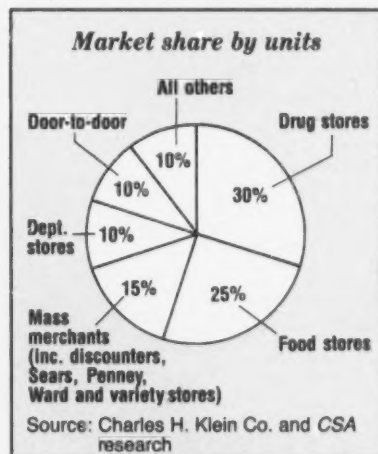
"It [Solutions] can be very viable," says Weinstock's Knowles. "Men want treatments too. They're much more cognizant of their appearances today than they've been in the past."

At mass merchants, vitamins departments are taking off. Danners, for example, is making a major expansion in vitamins, says H&B A mm Bruce Sherwood. "We virtually were not in it before," he says.

The growing health and exercise trend has caused Sherwood to reconsider his business. Danners will be adding two vitamin lines and the department should fill 6 to 8 linear feet.

As for fragrances, Putnam's Woods says that the category had a stronger than usual year-end in 1982. However, retail analysts and merchants say the industry will have to work "twice as hard" to grow 1982 units.

One problem facing all merchants is pricing. "With the average bottle of cologne retailing for \$20, it's in competition with every other item in the store," says Bergner's MacLean. "We have shirts selling for less at \$19.99." □



| Productivity breakdown                                                                                             |              |       |                      |
|--------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                    | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                              | \$218        | \$100 | \$105                |
| Annual turnover                                                                                                    | 2.8          | 3.0   | 3.4                  |
| Gross margin                                                                                                       | 38.8%        | 30%   | 21.6%                |
| Source: CSA research                                                                                               |              |       |                      |
| Growth areas                                                                                                       |              |       |                      |
| <ul style="list-style-type: none"> <li>• Bath treatments</li> <li>• Face treatments</li> <li>• Vitamins</li> </ul> |              |       |                      |

# SEWING

## Sales: \$4 billion



Reaping the bulk of sales are fabric specialists carrying full assortments.

## Sew wars survivors stitch wounds

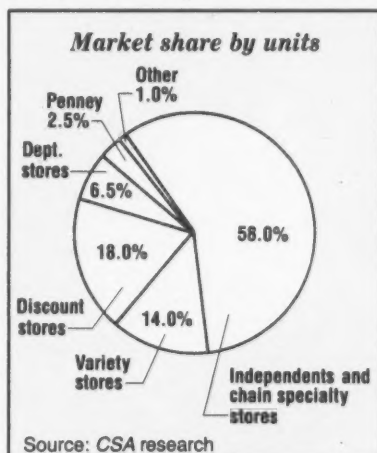
The estimated four million United States home sewers spent approximately \$4 billion in 1982 on fabrics, patterns, notions and sewing machines, about the same as in '81, with fabric sales of \$2.3 billion accounting for 57.5% of the total.

Two industry giants posted impressive sales gains in '82 over the prior year. Ohio-based FabriCenters of America reported sales of \$210.3 million, up 21.8%, while House of Fabrics in California announced a 28% increase, with sales of \$230 million.

With half as many retail sewing outlets open today as five years ago, the bulk of sales are going to the fabric specialists who can make the necessary commitment to complete assortments, as one-stop shopping is important to the already economy-minded home sewer.

While the companies who remain in the market are healthy survivors of the "sew wars," the latest batch of closings, including Woolco and the announcement that Penney would hang up its needles and threads forever, had a slightly negative impact on the survivors. Distress sales aimed at liquidating inventories stitched up some sales, but once this clearance fever is over, the sewing industry should hold to a steady course with less price cutting and higher profit margins.

For 1983, insiders expect the sewing industry—influenced by the conservative mood of the nation, the renewed interest in fitness, licensed products and de-



| Productivity breakdown                                                                                                                        |              |       |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                               | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                         | \$41         | \$38  | \$55                 |
| Annual turnover                                                                                                                               | 1.7          | 1.5   | 2.7                  |
| Gross margin                                                                                                                                  | 39%          | 28%   | 37%                  |
| Source: CSA research                                                                                                                          |              |       |                      |
| Growth areas                                                                                                                                  |              |       |                      |
| <ul style="list-style-type: none"> <li>• Fashion fleeces</li> <li>• Costumes</li> <li>• Craft fabrics</li> <li>• Licensed products</li> </ul> |              |       |                      |

signer fashions—to produce sales gains of 8% to 10%.

"The new conservatism is good for home sewing," says Barney Sofro, chairman of House of Fabrics. "This translates into women wearing more dresses and skirts, which are generally easier to sew than pants, increased enrollment in home ec courses and a continued importance of the savings offered by sewing.

"And the interest in crafts is especially gratifying," he adds. "We estimate that about 30% of all fabric we sell goes into projects other than apparel. About 250 of our 630 stores emphasize craft projects and kits along with traditional fabric and notions."

Fashion fleeces, a big winner in '82, will continue to race ahead in sales this year. "Sweatshirt looks are wearable by a large portion of the population. And with the Olympics in '84, this momentum will continue to build," says Bob Humphrey, merchandise manager for 75-store Northwest Fabrics.

Last Halloween, McCall's E.T. costume created a "sew-sensation," and retailers are looking for a repeat with the introduction of Ewok, a character from *Return of the Jedi*. Other licenses from Sesame Street to Shirt Tales are also good growth areas for retailers, adding to the increasingly important children's business.

Offerings from the major pattern companies of name designers are a fashion-forward step for the home sewer who can now create the most popular ready-to-wear looks at a fraction of the cost, and at the same time the styles are offered in stores.

Woolworth buyer Hank Curran is very optimistic about sewing's future. One of the core departments for the variety chain's new prototype, the sewing area has just undergone intense scrutiny—sku by sku. "We will be in a better in-stock position as we approach a 'state of the art' level for each store group size," says Curran.

"People already associate us with notions. Now we can have importance for the home sewer too," Curran adds. □

# WOMEN'S WEAR

Sales: \$42.3 billion



Thanks to better offerings, more retailers will focus on large sizes.

## Pent-up demand seen for '83

Having weathered an economic climate that pushed consumer confidence to an all-time low, women's wear buyers are optimistic about sales in 1983. Most maintain consumers are ready to buy again.

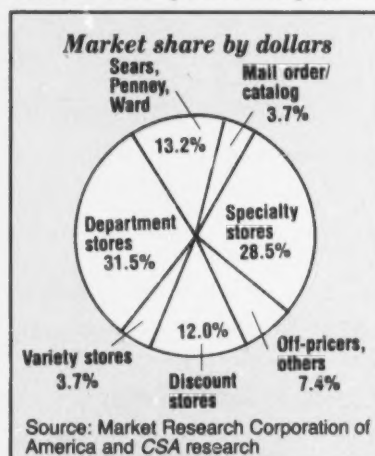
"There is a pent-up demand for clothes," sums up Karen Bonhoff, divisional vp, fashion and development, at Minneapolis-based Dayton's. Most merchants agree with this assessment.

If anyone doubted that women's wear buyers faced a tough year in 1982, a look at sales results will squelch their uncertainties. Sales advanced only 5.8%, from \$40 billion in 1981 to \$42.3 billion in 1982, according to Market Research Corp. of America (MRCA). Units did not even move forward from 1981's level. They remained at 4.7 billion, indicates the MRCA data.

Despite the more upbeat consumer mood, buyers still say they will have to fight this year to hold onto or increase market share. This is the result of two factors: The first is the growing competition from off-pricers, many of whom are offering brand name merchandise in upscale interiors, and two, the fact that all merchants have sharpened their skills and are waging war against each other. Today, comments one industry observer, "All stores are off-pricers."

Also contributing to a competi-

tive picture this year is the fact that no dominant trend has emerged in women's wear. Nonetheless, buyers are banking on classifications and items to beef up sales and profits.



| Productivity breakdown                                                                                                |              |       |                     |
|-----------------------------------------------------------------------------------------------------------------------|--------------|-------|---------------------|
|                                                                                                                       | Dept. stores | Big 3 | Mass merch./variety |
| Sales per square foot                                                                                                 | \$126        | \$118 | \$98                |
| Annual turnover                                                                                                       | 4.1          | 3.9   | 3.2                 |
| Gross margin                                                                                                          | 45%          | 40%   | 36%                 |
| Source: CSA research                                                                                                  |              |       |                     |
| Growth areas                                                                                                          |              |       |                     |
| <ul style="list-style-type: none"> <li>• Social dressing</li> <li>• Career clothes</li> <li>• Weekend wear</li> </ul> |              |       |                     |

At department stores, "social dressing" is materializing as an important classification, although not considered on the "big bucks" scale of career or activewear. Comments a spokesman for Los Angeles-based Robinson's, "It will probably not be as big a volume maker as active or career apparel. But it will be an important contributor to sales."

This classification consists of clothes that are worn from dinner on and, and according to Dayton's Bonhoff, "These can be really extraordinary or just a beaded jacket teamed up with slacks." Social dressing, say department store buyers, reflects the fact that baby boomers are aging and moving out of jeans.

For mass merchants, the classification they will push this year is career or work clothes. "It represents a tremendous growth area for us," says Roger Goddu, mm/vp of Minneapolis-based Target. As a result, more shirts and blouses will be featured. Executives at Mervyn's and Sears also feel this is the year to offer more selection to women who work. At Mervyn's, for example, two-piece dressing will be touted, as will shirts that look like blouses, and suits. Suits priced well above \$100 are already strong movers at Sears.

Buyers from department stores to mass merchants maintain sweaters is one of those items that will draw consumers into the store. All anticipate sales should be excellent this year. A spokesman for Chicago-based Marshall Field's insists cardigans will replace blazers in 1983. She adds, "We will carry more novelties than we have in a long time." These include plaids, intargias and argyles.

Argyles will also be stocked at mass merchants. Bentonville, Ark.-based Wal-Mart, for one, will offer argyles as well as other styles.

Large sizes also continue to gather momentum in stores. This year many buyers anticipate garnering larger sales thanks to more fashionable merchandise being offered by vendors. Mervyn's expects to carve out a bigger market share as do Penney and Sears. □



# HOSIERY

## Sales: \$4.4 billion



*Pantyhose, especially textured styles, will continue to move out in '83.*

## Hosiery sales off and running

The high-stepping pace of hosiery sales faltered slightly in 1982 but is expected to spring back in 1983. Fueling buyers' optimism this year is the return of consumer confidence and fresh hosiery looks, especially in women's wear.

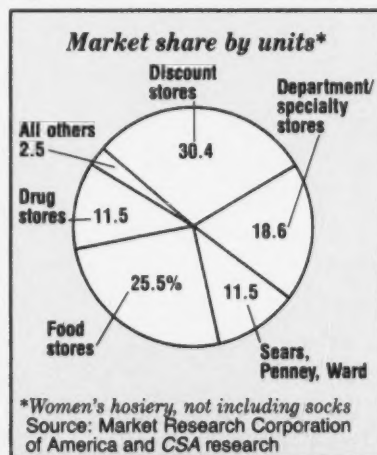
In 1982, sales of women's, men's and children's hosiery rose 10% to \$4.4 billion, according to Market Research Corporation of America. Shipments, however, slipped 5%, down from 1981's historic high of 304.8 million dozen pairs to 288.7 million, reports the National Association of Hosiery Manufacturers (NAHM). Nonetheless, a spokesman for the association claims that under 1982's recessionary climate, the decline in shipments was not significant. "Even if economic conditions were better, we would have been hard pressed to exceed 1982's figures."

Sales of women's hosiery fared better than those of men's and children's. In 1983, most women's wear buyers at department stores and mass merchants are looking at sales increases in the neighborhood of 12% to 18%. At department stores, legwarmers are expected this year to step down in importance as a result of their popularity for the past two years.

More successful this year, claim buyers, will be textured pantyhose sporting herringbone tweeds, rib-

bon patterns or floral designs, along with "sweater" tights and crew socks.

At mass merchants, however, legwarmers will continue to fly out



### Productivity breakdown

|                       | Dept. stores | Big 3 | Mass merch./variety |
|-----------------------|--------------|-------|---------------------|
| Sales per square foot | \$195        | \$158 | \$122               |
| Annual turnover       | 4.5          | 4.2   | 3.9                 |
| Gross margin          | 47.5%        | 43.0% | 37.0%               |

Source: CSA research

### Growth areas

- Textured pantyhose
- Legwarmers
- Crew socks

of the stores, say buyers, who explain their customers did not start buying them as early as department store shoppers. Moreover, most did not stock them as early as department stores. At Norwalk, Conn.-based Caldor, for example, thigh-high legwarmers are slated to be best sellers, says a store spokesman.

In addition to legwarmers, casual socks and pantyhose will continue to move out in 1983.

Last year, pantyhose shipments were the only ones to score gains over 1981, rising 8%, according to the NAHM data. Shipments of conventional sheer pantyhose were up 2%, while opaque hose shipments jumped a spectacular 52%. Support hose were also big gainers last year. Shipments rose 14% to 45 million dozen pairs.

Women's wear buyers are also counting this year on casual socks to push up the bottom line. Sports socks have been particularly strong at mass merchants, where prices run considerably lower than at department stores, and the quality is often as good.

While bright-colored sports socks have been marching out of department stores, it is still the meat and potato items at mass merchants that are attracting consumer attention. These include pompoms and terry socks.

Socks, in general, did not perform well last year, reveals the NAHM data. Shipments for girls, boys and women fell 17% below 1981's level.

Casual socks also dipped in infants' and children's wear, down 16% from 1981's figure. Socks were not uppermost on mothers' minds in 1982, point out buyers. Neither were they on men's minds. Shipments for all men's socks fell in 1982.

After two years of increases, knee-high shipments plunged 15%. This loss was the biggest sustained in men's wear. Midcalf socks fell 5%. Even anklets, which are the largest movers in men's wear, could not keep up with the record-breaking pace set in 1981. Shipments were off 9%. □

# PHOTO/CAMERA

Sales: \$9.8 billion



Some GMers are installing one-hour labs to gain larger market share.

## Disc camera sales developing fast

There were few surprises in the photo/camera market in 1982. As expected, the Kodak Disc system was firmly entrenched as the industry's predominant pocket camera; 35mm SLR sales were flat while 35mm autofocus units continued strong; photofinishing was cited by retailers as an increasingly profitable wing of the often low-margin classification, and the big losers continued to be instant cameras, movie cameras and darkroom equipment.

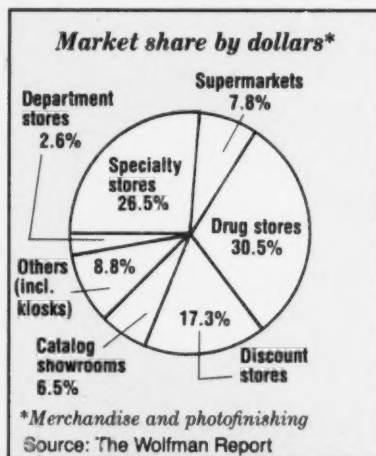
The Kodak Disc was the big story. The Rochester, N.Y.-based photo giant has already shipped some 10 million Disc units worldwide and has already spawned a rush of competitive knockoffs. A spokesman for K mart, the nation's largest discounter, reported strong Disc sales and expected the trend to continue through the end of 1983.

The 35mm camera market, however, was split in two tiers: the autofocus snapshooters, which are becoming increasingly popular among amateur photographers, and the 35mm SLR.

"The autofocus sold particularly well in the second half of the year primarily because of its simplicity and ease of use," explains John Crandall, operations manager for the Foxboro, Mass.-based Underground Camera shop chain. The autofocus snapshooters (such as the

Canon "Sure Shot") have continued to log strong sales in 1983, Crandall adds. "We can't get enough of them."

Meanwhile, the 35mm SLR



| Productivity breakdown                                                                                                                                  |              |       |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                                         | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                                   | \$245        | \$285 | \$486                |
| Annual turnover                                                                                                                                         | 2.3          | 3.8   | 4.2                  |
| Gross margin                                                                                                                                            | 21.7%        | 22%   | 16.7%                |
| Source: CSA research                                                                                                                                    |              |       |                      |
| Growth areas                                                                                                                                            |              |       |                      |
| <ul style="list-style-type: none"> <li>• Disc cameras</li> <li>• 35mm autofocus cameras</li> <li>• New color films</li> <li>• Photofinishing</li> </ul> |              |       |                      |

growth trend has run head-on into an oversaturated market. Manufacturer shipments in 1982 were up only an estimated 3.8% and some observers, such as Dean Witter photo analyst Eugene Glazer, feel sales will remain flat despite the latest scramble among manufacturers to introduce innovations.

"The simple fact is that the Japanese manufacturers are producing more 35mm cameras than people want," Glazer told a Photo Marketing Association audience earlier this year. "After several years of strong growth, the market is obviously mature and by and large the innovations will not generate the 35mm growth the industry has experienced in the past."

In other categories, photofinishing appears to be a big money maker for retailers. The market was up an estimated 12.4% in 1982 and 20.9% since 1980, according to the authoritative Wolfman Report. More importantly, the report notes, gross margins in photofinishing were more than 50% compared with an estimated 20% gross margin for the photo/camera classification.

But the boom in one-hour photo labs is making it increasingly difficult for GMers to grab a larger share of the photofinishing market (discounters and department stores account for about 16% of the category). Some retailers, though, are considering installing the 60-minute equipment while K mart is already experimenting with the units in some of its Detroit-area stores.

Some photo categories continue to flounder.

Darkroom equipment sales are flat while movie cameras and projectors are steadily being replaced in the market by video systems. Home motion picture systems, says Underground Camera's Crandall, "are a dead issue."

The instant camera classification also had its problems which began in 1979. Unit shipments dipped an estimated 10% in 1982 and 45.1% since 1978. Insiders say the price of instant film must drop before the category enjoys a significant recovery. □

# MEN'S WEAR

Sales: \$20.5 billion



Activewear, once again, led the pace and showed no signs of slowing down.

## Lack of newness hampers growth

Men's wear sales crept ahead by only 3.5%, to \$20.5 billion in 1982. While some categories were stellar performers, there were no new dominant styles or trends. The 50's craze, which began last year, only appealed to a small percentage of fashion-forward young men. Indeed, the hot categories of 1981 repeated as sales leaders last year. And the same lines continue to lead sales in '83.

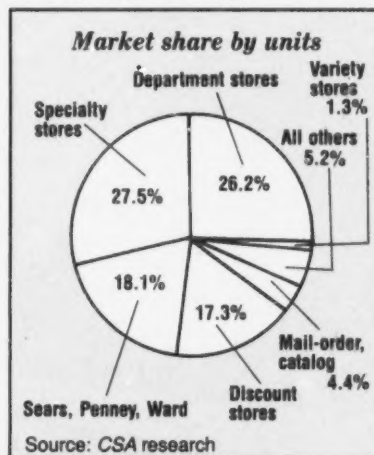
Activewear—mostly spectator styles now grouped under the athleisure heading—generated the most excitement from discounters to department and specialty stores. Basic fleece, private label knockoffs and designer coordinates continued to sell briskly.

But activewear lacked new treatments and styling. The acknowledged trend-setter was once again Merona, especially influential with its side-piped, pull-on pant that appeared at all price points.

Activewear has become a year-round seller. "It was our leading growth area," says Walter Rossi, exec. vp/merchandising at Hayward, Calif.-based Mervyn's. Active moved out of the store in both spring and fall. "Fleece sweatshirting led the way in the fall," says Rossi, but running shorts kept active sales active through the warmer months.

Active shows no signs of tailing

off this year. "It's still a rapidly growing classification," says Morty Morrow, mm/men's and boys' at Reading, Pa.-based Boscov's. "Everybody's getting into it, so it's



| Productivity breakdown                                                                                                                 |              |       |                      |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                        | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                  | \$177        | \$133 | \$115                |
| Annual turnover                                                                                                                        | 2.8          | 2.9   | 3.0                  |
| Gross margin                                                                                                                           | 43.5%        | 40.1% | 35.6%                |
| Source: CSA research                                                                                                                   |              |       |                      |
| Growth areas                                                                                                                           |              |       |                      |
| <ul style="list-style-type: none"> <li>• Activewear</li> <li>• Dress furnishings</li> <li>• Rugged wear</li> <li>• Sweaters</li> </ul> |              |       |                      |

all over the place. However, the market's not saturated yet."

At the opposite end of the fashion spectrum from athleisure, dress-up recorded some significant gains last year. Leading the way were dress furnishings such as shirts and ties. Collar treatments, expanded color offerings and natural fabrications boosted shirt volume, with ties as an add-on sale. Men became more adventurous in their choice of shirt colors and styles. Boscov's Morrow was surprised by the popularity of contrasting-collar shirts in his relatively conservative market.

Dress furnishings at Mervyn's chalked up their second straight year of growth, says Rossi. The overall personal furnishings area exhibited "truly unexpected, tremendous increases," he notes, since Mervyn's didn't try to promote the area.

While growth in furnishings, and in particular shirts and ties, is usually indicative of men sprucing up old suits instead of buying new, tailored clothing also improved in '82. Growth came mainly in moderate price ranges. Promotionally oriented stores like Mervyn's and Boscov's picked up some of the clothing dollars.

Clothing was generally weak at department stores, which lost some business to Sears and Penney, both of whom had Levi's separates. The two catalog chains also made strong inroads with their higher-priced private labels, like Sears' Arnie and Penney's Stafford and Gentry lines. Philadelphia-based Strawbridge & Clothier experienced a good clothing year, "contrary to the market," says Nick Eggleston, dmm/men's wear.

Bottoms bottomed out at many chains. Bill Hart, vp/gmm men's wear at Minneapolis-based Dayton's, termed bottoms "disappointing," citing a lack of newness. Despite new introductions in overdyes, black denim and stripes, jeans sales were poor overall except for those chains which had already established a strong basic bottoms business. Activewear, once again, was the major influence on cord and denim jeans. □



# SPORTING GOODS

Sales: \$13 billion



Camping equipment has caught fire among fitness-minded consumers.

## Fitness stimulates healthy sales

The general sporting goods market grew 0.9% in 1982 to \$11.8 billion, with bicycles kicking in an additional \$1.2 billion, for a total of \$13 billion in sales, a 1.6% increase over '81.

If this doesn't sound like much for an area ballyhooed by retailers as phenomenal last year, the answer lies in lower average price points on many items due to increased promotional activity and sharply declining sales in categories like roller skates, racquetball and billiards.

But it was exercise equipment that once again led the pack in sales growth, a fact that hasn't escaped the notice of today's savvy retailer.

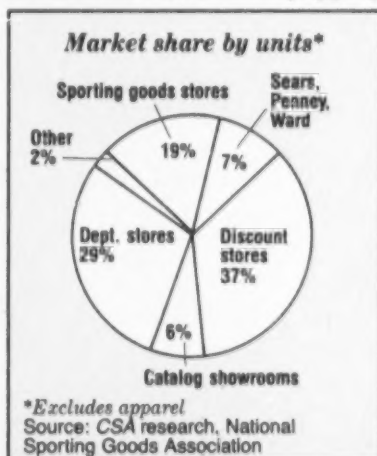
Old familiar barbells and jump ropes, while still good sellers, are being pushed over to make room on the shelves for more fashionable, trendy items like color-coordinated weights, inversion equipment and family gym systems. Every level of the market, from discounters to department stores to sports specialty shops, has felt the effects of this surging interest in health and fitness.

"All types of exercise equipment were excellent in '82, and based on initial indications this year, we expect the same good results," says a spokesman for K mart.

Thomas Doyle of the National Sporting Goods Association believes that exercise equipment will

continue to be strong. "There's advanced equipment, like home rowers, which will spark continued growth," he notes.

Exercise bikes and jogging



| Productivity breakdown                                                                                              |              |       |                      |
|---------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                     | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                               | \$58         | \$85  | \$100                |
| Annual turnover                                                                                                     | 1.9          | 3.0   | 2.8                  |
| Gross margin                                                                                                        | 34%          | 32%   | 29%                  |
| Source: CSA research                                                                                                |              |       |                      |
| Growth areas                                                                                                        |              |       |                      |
| <ul style="list-style-type: none"> <li>Exercise equipment &amp; apparel</li> <li>Camping</li> <li>Soccer</li> </ul> |              |       |                      |

trampolines, particularly good sellers in '82, are expected to perform well again this year. "Our tramp business is phenomenal. We stock two sku's and can't keep up with demand," says a buyer for a Southwestern discounter.

"We're trading up in price points and to more sophisticated equipment," says Bill Reed, buyer for Ohio-based catalog showroom Jewel Mart. "We did well with exercise bikes in the \$90 to \$120 range. Business was excellent, and we're expecting additional increases this year, partially from more expensive gym paces and rowing machines."

In other categories, buyers report good gains in soccer balls and equipment. Football products suffered due to the NFL strike, but the buyer for a Northeastern specialty chain feels this year anything with an NFL logo will be exceptional.

A spokesman for a Midwestern discounter reports that hunting, fishing and camping are going great guns. "We find it's necessary to carry name brands in camping equipment because the customer associates it with quality," the buyer says. "Out in the wilds somewhere, he doesn't want to get stuck with an inferior product."

Bicycle sales proved to be disappointing to many retailers again this year (total unit sales declined 24%). John Chase, president of Child World, reports flat store-for-store bike sales in '82, but the first quarter of '83 has produced some growth. "We're hopeful we'll see a strong summer," Chase says. "While our major volume is in BMX bikes, lightweights are showing some activity."

Athletic apparel, often merchandised with or near sporting goods, posted sizable gains in '82 with the strongest showing in athletic footwear, growing 6% to \$1.9 billion.

The continued interest in health and fitness, further stimulated by the publicity surrounding the 1984 Olympics, is expected to keep the sporting goods industry expanding. A 4% growth is forecast for the industry as a whole, with apparel categories growing even faster, approaching a 5% increase in '83. □

# CONSUMER ELECTRONICS

*Sales: \$24.5 billion (incl. computers)*



*Phones, particularly the remote models, are ringing up healthy profits.*

## 'Quieter' electronics sound off

The explosive growth in sales of home computers overshadowed consumer electronics departments last year, but other categories chalked up equally impressive, if less heralded, gains.

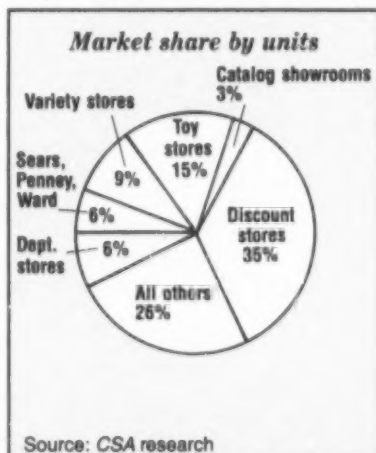
Overall, electronics retailers say sales grew by 22.5% to \$24.5 billion, and projections for 1983 are even better. Industry analysts say total department sales could easily top \$30 billion at retail by year's end. "This whole business is incredibly hot right now," notes one New York-based department store dmm. "Our sales of department staples, like televisions and home audio systems, are already way ahead of last year."

Probably the single-fastest-growing item in electronics is the telephone. Increasing publicity over the impending breakup of A.T.&T. and personal telephone ownership have caused a tremendous boom in sales of telephones at all price points.

"Already, we're seeing the market break down into three categories: basic units, cordless telephones and, the newest star on the scene, clock-radio-telephone combinations," notes Frank Remaley, electronics buyer for G. C. Murphy.

As many as 15 million telephones are expected to be sold this year, with remote models accounting for about 20% of the total. Telephone accessories like automatic dialers

and answering machines are also strong with sales expected to reach close to \$400 million. The total telephone and accessory market may surpass the \$2 billion mark if the



| Productivity breakdown                                                                                                               |              |       |                      |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                      | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                | \$320        | \$295 | \$265                |
| Annual turnover                                                                                                                      | 4.0          | 4.3   | 5.0                  |
| Gross margin                                                                                                                         | 22%          | 22%   | 19%                  |
| Source: CSA research                                                                                                                 |              |       |                      |
| Growth areas                                                                                                                         |              |       |                      |
| <ul style="list-style-type: none"> <li>• Telephones</li> <li>• Video cassette recorders</li> <li>• Personal audio players</li> </ul> |              |       |                      |

skyrocketing trend continues.

Home stereo sales, after a two-year downturn, are also expected to increase dramatically in 1983. Already sales of single-brand rack systems are soaring in markets as diverse as New York, Atlanta and Dallas. The only cloud on the home audio horizon is what effect the new compact disc digital audio players will have on the market. Some analysts say the CD will eventually spell the end of traditional analog record turntables, but they point out this will be some years away.

Personal portable stereos are still chalking up tremendous sales gains, despite the fact that major markets on both coasts are already saturated with the mini-stereo tape player-AM/FM receiver units.

Sales of the personal portable units rose more than 40% last year and manufacturers say 1983 should see a comparable gain. And retailers say the portables are well on their way to becoming staple items for electronics retailers. Even with more than 13 million personal portables in use today, the bulk of the potential market remains untapped.

Last year, about 220,000 video disc players were sold to consumers, making them the fastest-growing product in consumer electronics history with a 1,100% increase compared to 1981. Despite this, many retailers remain skeptical of the video disc's future. "If the price drops to around \$199 for machines with stereo sound, then they might really catch on," notes a Texas department store dmm. "But for now, the price point is still too high for what they offer."

Sales of prerecorded disc movies, though, have been phenomenal. About six million units were sold last year, according to the Electronic Industries Association. "We moved them out of electronics and into the record department and sales have been incredible ever since," adds the Texan.

Video cassette recorders are still the stars of home entertainment. Sales to dealers jumped 49.5% last year and retail sales were close behind. □

# TOYS

## Sales: \$9 billion



1983 is slated as the year that the boys' toy market explodes in popularity.

## Video invaders capture market

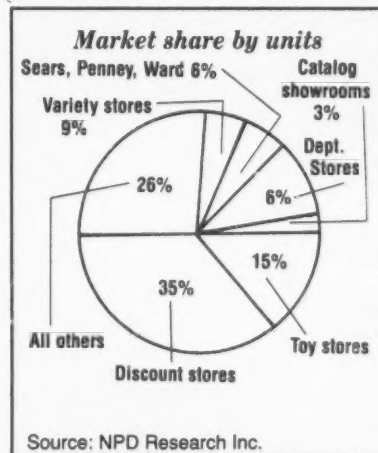
The toy industry received a mixed set of signals from the buying public in 1982. Video games zapped several traditional toy categories, capturing 31% of the total retail dollars spent, up from 19% in '81, with total toy sales up 28.6% to \$9 billion.

Traditional toy shipments slipped 7%, especially items like trucks, road racing sets and plastic model kits normally purchased by young boys. These kids took their quarters to the corner candy store and played arcade games or stayed home, playing on their own video game systems.

With the general economy and high unemployment reducing the discretionary dollars available for toys, games and entertainment, retailers saw \$20 to \$30 toys sit on the shelves while video software in the same general price range walked away. Once again, family life centered around the TV, not strictly for watching programs but for playing video games.

Toy supermarkets like Toys "R" Us and Child World/Children's Palace, reacting to the growing demand for electronics, jumped on the video game/home computer bandwagon, capturing an estimated 4.5% of the total market. Seen as an important move in expanding their customer base, these normally child-oriented stores now appeal to

teenagers and adults as well, giving them more long-term recognition and the opportunity for repeat customers who return to buy peripheral equipment and software.



| Productivity breakdown                                                                                                            |              |       |                     |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------|-------|---------------------|
|                                                                                                                                   | Dept. stores | Big 3 | Mass merch./variety |
| Sales per square foot                                                                                                             | \$62         | \$70  | \$80                |
| Annual turnover                                                                                                                   | 2.3          | 2.7   | 2.8                 |
| Gross margin                                                                                                                      | 34%          | 32%   | 32%                 |
| Source: CSA research                                                                                                              |              |       |                     |
| Growth areas                                                                                                                      |              |       |                     |
| <ul style="list-style-type: none"> <li>• Video games/home computers</li> <li>• Licensed products</li> <li>• Boys' toys</li> </ul> |              |       |                     |

There were, of course, other toy success stories in '82. The second most important category—licensed products from Smurf to Strawberry Shortcake to ageless Disney characters—may even rival electronics for market dominance in '83, especially now that some softening is seen in video sales.

Dolls, as a general category, were sensational, and old reliable Barbie enjoyed her best year ever. "She's almost gained recognition as a collectible," says John Chase, president of Child World, "with even the newest models off to a great start this year."

Action figures, particularly the G.I. Joe and Masters of the Universe series, grabbed market share, giving rise to speculation that the boys' toy market will expand this year, fueled dramatically by another round of *Star Wars* mania. A spokesman for Montgomery Ward sees '83 as the year that boys' toys explode in popularity.

Preschool toys performed well, as did plush. John Chase notes that his stores were not strong in plush in '82, but adds that there is great growth potential in this area that they will aggressively pursue this year.

Most retailers expect the familiar teddy bear—now available in all shapes, sizes and modes of dress—to be a strong seller this year.

But many retailers, hurt by sluggish sales last year, are approaching '83 with caution, playing a waiting game to see which toys or licenses are surefire winners before investing heavily.

"We're buying less dollar-wise because we had a lot left over. It was not an exceptional year for us. This year we'll be cautious, but we feel the toy industry is ready for a revival," says a buyer for a Northeastern variety chain.

Toy Manufacturers of America chairman Dick Grey agrees and predicts that 1983 will bring about an improved sales picture. "The video category will continue to prosper, but I expect the volume of traditional toys to rebound with an anticipated growth of 8% to 10%." □



# ELECTRIC HOUSEWARES

Sales: \$14 billion



Business went to aggressive retailers who had key items at sharp prices.

## Electrics seek turn-on item

Small electrics had a fair year in 1982, turning in a 6.1% increase with volume hitting \$14 billion. Although retailers say it was a year marked by no real "hot" items, business went to those who were aggressive and had key items at sharp prices.

Like the majority of retailers, Zody's housewares mmm Ken Mien says his chain had a good year despite an increase of promotions. "There's not a lot of margin dollars in small electrics," he says. "We tried all sorts of gimmicks. We gave away mugs with purchases of selected coffeemakers. This was less costly than markdowns. Also, the number of manufacturer rebate offers available showed value."

The outlook for '83 is promising with two new categories—Belgian waffle makers and General Electric's Spacemakers—emerging, and consumer interest in ceiling fans on the incline. Retailers have fine-tuning mixes and are currently scrutinizing individual lines to maximize holiday sales.

At Jordan Marsh-New England, dmm Tim Hopkins says, "We've keyed in on certain classifications and developed a base. Now we're continuing to maximize these key categories while supporting the basics."

May Co. California is trying something different. "We're tight-

ening our assortments to lower the number of sku's carried," notes Ken Yoshikawa, housewares dmm. This should improve the department's turns while providing increased

Market share by units



Productivity breakdown

|                       | Dept. stores | Big 3 | Mass merch./variety |
|-----------------------|--------------|-------|---------------------|
| Sales per square foot | \$125        | \$115 | \$110               |
| Annual turnover       | 2.4          | 2.7   | 3.3                 |
| Gross margin          | 22.1%        | 18.0% | 17.4%               |

Source: CSA research

### Growth areas

- Spacemakers
- Belgian waffle makers
- Ceiling fans

funds for expansion of other housewares classifications.

A recent innovation in housewares is G.E.'s Spacemakers, a line of small electrics that installs underneath kitchen cabinets, off the countertops. Initial customer response to the first introduction, a can opener, has retailers eager to test the expanded line—three coffeemakers, an electric knife and a wall-mount can opener.

"Spacemakers is a real good category," says Mark Quick, housewares dmm at Sanger-Harris. "In today's kitchens, countertop space is at a premium."

Zody's mmm Mien agrees. He anticipates carrying the two lower-priced models (suggested manufacturer's retails of \$59.98 and \$74.98) for in-store excitement. However, he says, "The price points are rather high for us. They'll have to come down some before we'll see volume business."

Belgian waffle makers is also a growing category. While some retailers admit this item may not appeal to their customers, the majority say their stores will feature one or two sku's. "I don't anticipate them blowing away, but we'll have them," says Don Raplinger, housewares buyer for Mattingly Stores.

Currently, he's looking at Rival and Munsey as suppliers, the same two chosen by Macy's New York. Macy's displays Rival's Belgian Waffle Baker for \$50 and Munsey's Belgian Waffler for \$45 among its two electric griddles, four sandwich makers, and one Pizzelle waffle maker in its small electrics department, against the back wall.

Lastly, merchants note that the ceiling fan business has not yet peaked. For some it was an underdeveloped or nonexistent category which was the case at the May Co.-Cleveland. Housewares dmm Jerry Warren expects to see this business grow firm roots within his division. He introduced the category with five sku's.

At Sanger-Harris, ceiling fans is already a proven winner. Housewares dmm Quick looks to his three-year-old business for sales expansion during 1983. □

# LAWN & GARDEN

Sales: \$23.6 billion



More display space is being devoted to hot-selling outdoor patio furniture.

## Chemicals add fuel to sales surge

It was another strong year for the lawn and garden classification as sales increased an estimated 28.3% from \$18.4 billion in 1981 to \$23.6 billion in 1982. "It was a good year," said one buyer, "a very good year."

In 1981 sales were up in maintenance trimmers along with blowers and ultraviolet insect killers. While insect killers remained popular among consumers, industry insiders reported strong sales in lawn and garden chemicals, hand tools (which lagged in 1981), patio furniture and a resurgence in the power mower category.

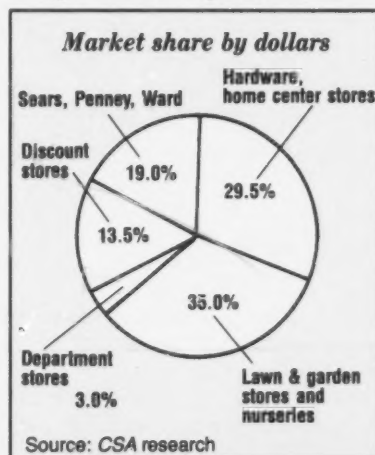
Sales of insecticides, herbicides and fungicides were strong—especially in the Northern States, according to a three-year survey of retailers commissioned by Spectrum Home & Garden Products.

From 1980 to 1982, retail lawn and garden chemical sales were up 42%, according to the report which noted that Southern markets were the strongest in sales of outdoor insecticides.

Not surprisingly, the chemical sales jump was also reflected by increased activity in planting and nursery stock. K mart also reported strong sales in fertilizer, although poor spring 1982 weather hindered nursery stock sales.

Chicago-based Sears reported sales strength among specialty, lawn and garden power tools and

electronic bug killers. Replenishing products and fertilizer are mature, but stable categories, says a Sears spokesman adding that fertilizer is being tabbed as a growth area.



| Productivity breakdown                                                                                                                  |              |       |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                         | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                   | \$125        | \$145 | \$135                |
| Annual turnover                                                                                                                         | 2.9          | 8.1   | 14.4                 |
| Gross margin                                                                                                                            | 23.1%        | 42.0% | 45.0%                |
| Source: CSA research                                                                                                                    |              |       |                      |
| Growth areas                                                                                                                            |              |       |                      |
| <ul style="list-style-type: none"> <li>• Bug zappers</li> <li>• Chemicals</li> <li>• Patio furniture</li> <li>• Power mowers</li> </ul> |              |       |                      |

Power mowers, despite more stringent and costly Federal safety regulations, were also a growth classification last year and retailers expect the surge to continue through the end of the '83 lawn care season. Rick Russell, a buyer for Bentonville, Ark.-based Wal-Mart, says the discounter logged "significant sales increases" in its power mower line.

Outdoor patio furniture was also a strong classification for Wal-Mart, Sears and other retailers, many of whom are devoting more display space to the leisure line.

"Patio furniture was a plus for us, we just had some tremendous increases," explains Russell. "We sold better quality merchandise. The better top-end lines were more promotional and we changed a couple of assortments and styles."

"There's more of a fashion trend in the industry right now," Russell continues, "and we see some good possibilities for growth in this area."

While Russell says sprinkler sales were a "disappointment" for Wal-Mart in '82, other retailers reported strong hose and lawn sprinkler results. In most cases dry weather was a determining factor in the spring sales surge.

"Sprinkler sales were great last year and we're doing well again this year," says a buyer for a Northeastern discounter who adds that the oscillating sprinkler lines led the classification.

But there were some disappointments within the lawn and garden category.

Flexible line trimmer sales were down, for example, as the market has begun to mature (although non-electric hand trimmer sales were up). Small barbecue grills, notably the traditional favorite, the Hibachi, also lagged as larger, gas barbecues enjoyed strong sales.

The 1983 lawn and garden selling season remains a question mark, however. The generally wet spring nationwide has dampened sales of outdoor products and buyers are counting on a dry summer and fall to help recoup the early-season losses. □

# NONELECTRIC HOUSEWARES

Sales: \$26.2 billion



Merchants plan to get more mileage out of basic housewares like cookware.

## Dinnerware serves up profits

Last year was a year of small growth in nonelectric housewares. Industry figures show a slight gain of 2.3% resulting in \$26.2 billion in sales.

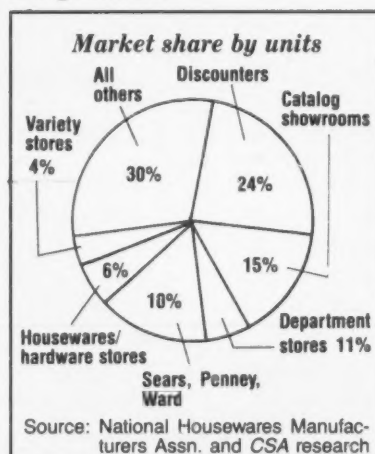
The ailing economy, a lack of direction, and overemphasizing one category at the expense of others hurt many housewares merchants, many buyers now concede. Yet some retailers managed to squeeze some growth out of the business and remain optimistic that 1983 will be an even better year. For the most part, merchants are looking to get more mileage out of traditional housewares such as cookware, dinnerware, cutlery and gadgets.

"Nineteen eighty-two was a good year in nonelectrics," says Mark Quick, housewares dmm at Sanger-Harris. "We identified key items as significant volume makers, representing true value to customers."

For instance, in cookware Sanger-Harris offered SilverStone promotional sets. A seven-piece Betty Crocker set from Regal did tremendous business, Quick notes. He plans on continuing this business while concentrating more on better cookware this year.

The May Co. California also had a good year, says housewares dmm Ken Yoshikawa. To keep sales momentum going, Yoshikawa says that the May Co. will become more aggressive in cookware and tabletop.

His stores will be introducing Mikasa cookware to fill in upper price points and going after the promotional business in dinnerware and glassware.



| Productivity breakdown                                                                                                   |              |       |                     |
|--------------------------------------------------------------------------------------------------------------------------|--------------|-------|---------------------|
|                                                                                                                          | Dept. stores | Big 3 | Mass merch./variety |
| Sales per square foot                                                                                                    | \$110        | \$93  | \$96                |
| Annual turnover                                                                                                          | 1.9          | 2.0   | 2.4                 |
| Gross margin                                                                                                             | 40%          | 31%   | 31.9%               |
| Source: CSA research                                                                                                     |              |       |                     |
| Growth areas                                                                                                             |              |       |                     |
| <ul style="list-style-type: none"> <li>• Cutlery</li> <li>• Dinnerware</li> <li>• Cookware</li> <li>• Gadgets</li> </ul> |              |       |                     |

At Bonanza Stores and Zody's, housewares executives say they too will be turning to decorative cookware for growth. While Bonanza has a strong SilverStone program, mm David Crosland says, "We'll be stepping up cookware to hot colors and decorative lines." Zody's mm Ken Mien looks to porcelain on steel, particularly those that have matching dinnerware lines, to improve his sales.

Tabletop—which includes dinnerware, glassware and flatware—is also expected to be a top performer for 1983. Retailers say it provides better than the average housewares gross margins and offers customers fashion through color and styling.

At Buffum's, like the majority of housewares retailers, dmm Rick Fully says he's expanding his tabletop area concentrating mostly on dinnerware. Last year, Buffum's housewares did not include this particular business, says Fully. To correct this, Fully plans an entry with two to three resources totaling between 20 and 40 sku's.

In cutlery, merchants anticipate good profits and growth from both open stock and sets. Cutler takes up little floor space, carries high margins and for the most part is a "blind" item when it comes to price. It also lends itself to promotions.

For example, Abraham & Straus recently devoted a full catalog page to this classification. It featured open stock on J. A. Henckel knives and four cutlery sets. Prices on the sets were \$120 reduced to \$69.99 for a Homestead Deluxe knife set with slant block; \$67 reduced to \$35.99 for a six-piece L. C. Germain set with block and cleaver; \$50 reduced to \$24.99 for eight Old Homestead steak knives and block, and \$70 reduced to \$34.99 for a seven-piece Old Homestead set.

Lastly, retailers are placing an emphasis on gadgets, hoping to capitalize on the renewed consumer interest in gourmet cooking. At Bonanza Stores, this translates into an expanded department. Housewares mm Crosland says he's increased the department from 87 sku's to 216 "to create better impact." □



# HOBBY/CRAFTS

Sales: \$3.1 billion



The invasion of the video game craze snatched profits from hobby/crafts.

## Hobby scores late sales rebound

The first three quarters of 1982 produced sluggish hobby/craft sales. But retailers are generally optimistic due to a rebound first noted in the fourth quarter which has continued through the first quarter of '83.

"Two things really hurt the hobby/craft industry last year," says Dick Bennett of The Hobby Industry of America. "The video game craze and the generally harsh economic environment."

Sales dropped 11.4% to \$3.1 billion, but Bennett predicts 13% to 14% growth this year based on the renewed commitment among retailers carrying crafts and the opening of new channels of distribution—particularly sewing outlets.

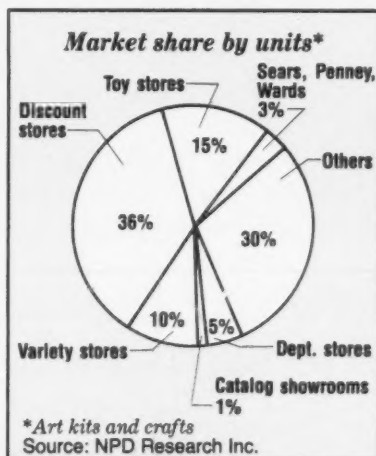
Danners, a discount and variety store chain headquartered in Indianapolis, has strengthened its craft departments, especially in the variety stores. "We won't stock a craft at all unless we can offer the customer a complete assortment and all the equipment," says Danners craft buyer Jon Jolivet.

Danners uses endcaps as well as storyboards above the gondolas to display the latest projects and holds weekly classes to teach consumers what's new and popular.

But the real key for Danners is personalized service. Along with the craft coordinator, the salespeople know crafts and are able to help

beginners and experts alike.

Many sewing retailers, noticing the increased interest in crafts, are jumping on the bandwagon to take advantage of the natural spillover



| Productivity breakdown                                                                                                                                 |              |       |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|----------------------|
|                                                                                                                                                        | Dept. stores | Big 3 | Mass merch./ variety |
| Sales per square foot                                                                                                                                  | \$46         | \$52  | \$60                 |
| Annual turnover                                                                                                                                        | 1.4          | 1.2   | 3.3                  |
| Gross margin                                                                                                                                           | 42%          | 39%   | 43%                  |
| Source: CSA research                                                                                                                                   |              |       |                      |
| Growth areas                                                                                                                                           |              |       |                      |
| <ul style="list-style-type: none"> <li>• Combination needlecraft kits</li> <li>• Teddy bears</li> <li>• Cutouts</li> <li>• Adventure gaming</li> </ul> |              |       |                      |

from crafts to sewing. "Growth is available in the crafts area as there are many projects that appeal to a beginner who doesn't own a sewing machine or have any real sewing skills," says Woolworth buyer Hank Curran.

"A customer starts with a simple craft project and finds that her skills are more than sufficient," says Bob Humphrey, manager for Northwest Fabrics, a 75-store sewing specialty chain. "The next step is simple home dec projects which builds an interest in crafts and leads into more complex sewing projects."

"Crafts are really like the fashion business," Humphrey adds. "Something is big for awhile, runs through its cycle, and as it dies out, something new is already there to attract the consumers' attention."

Currently riding the crest of the popularity cycle in crafts is candlewicking while chicken scratch—smocking-like stitching on a gingham background—is just beginning to show activity. Retailers are noticing growing demand for kits that combine two or three of the most popular crafts into one project.

Yarn has remained, and retailers feel will remain, a staple of the business. "It's our best area and represents about 80% of our total space," says Marlene Rosco, buyer for New York-based Lamston's.

Popular licensed character cutouts were excellent sellers last year and new arrivals, Care Bears and Shirt Tales, are expected to make this an important growth area. The continued Americana feeling in crafts spotlights the teddy bear—now offered in kits and in a Vogue pattern which can be sewn in fabric or fake fur—as the newest superstar.

Although needlecrafts turned in good sales gains so far this year, retailers also expect other neglected areas to do well again in '83.

Young boys, not popping quarters into arcade games as furiously as before, are showing renewed interest in models and adventure gaming, a move that bodes well for this troubled business if the industry is to recoup sales that were lost in '82. □

# FINANCIAL NEWS

## First-quarter earnings show strength

| Chain                      | '82<br>(000 omitted) | '83<br>(000 omitted) | % change  |
|----------------------------|----------------------|----------------------|-----------|
| Penney                     | 55,000               | 58,000               | + 5.5     |
| Sears <sup>1,2</sup>       | (17,100)             | (12,700)             | —         |
| Ward                       | (44,000)             | (19,000)             | —         |
| Subtotal                   | (6,100)              | 26,300               | —         |
| K mart                     | 5,900                | 44,600               | + 656.0   |
| G. C. Murphy               | 63                   | 1,702                | + 2,601.6 |
| Rose's                     | 1,415                | 3,011                | + 112.8   |
| SCOA (Hills)               | 914                  | (397)                | —         |
| Wal-Mart                   | 18,184               | 27,503               | + 51.2    |
| Woolworth <sup>1,3</sup>   | (5,000)              | 1,000                | —         |
| Zayre                      | 2,000                | 6,700                | + 235.0   |
| Subtotal                   | 23,476               | 84,119               | + 258.3   |
| Allied                     | 2,400                | 13,100               | + 445.8   |
| Associated Dry Goods       | 469                  | 3,409                | + 626.9   |
| Carter Hawley Hale         | 5,300                | 6,200                | + 17.0    |
| Dayton Hudson <sup>1</sup> | 16,484               | 21,728               | + 31.8    |
| Federated                  | 29,133               | 42,986               | + 47.6    |
| May Co.                    | 11,545               | 20,274               | + 75.6    |
| Mercantile                 | 8,772                | 11,892               | + 35.6    |
| Subtotal                   | 74,103               | 119,589              | + 61.4    |
| Cole National              | (915)                | (610)                | —         |
| Oshman's                   | (270)                | (65)                 | —         |
| Toys "R" Us                | 2,506                | 5,357                | + 113.8   |
| Subtotal                   | 1,321                | 4,682                | + 255.4   |
| The Gap                    | 563                  | 1,695                | + 201.1   |
| The Limited                | 4,272                | 9,905                | + 131.9   |
| Miller Wohl                | 4,329                | 3,685                | - 14.9    |
| Subtotal                   | 9,164                | 15,285               | + 66.8    |
| Total                      | 101,964              | 249,975              | + 145.2   |

<sup>1</sup>Consolidated operations only. <sup>2</sup>Continuing operations only. ( ) indicates loss.  
<sup>3</sup>U.S. merchandising only. Source: CSA research

## K mart, ADG lead profit comeback

Last year discounters were stunned by disastrous first-quarter profit results. But thanks to an improving economy, belt tightening and favorable year-to-year profit comparisons, the discount group is back on top with their first-quarter results.

Only Columbus, Ohio-based SCOA (Hills) fared poorly among discounters, posting a net loss for the first three months of the fiscal year.

Meanwhile, K mart, the nation's largest discounter, increased its profits almost seven times—the second-highest, first-quarter profit in the chain's history. K mart's net income was \$44.6 million compared with the record \$45.6 million for first quarter 1979.

Other strong performers were Framingham, Mass.-based Zayre and McKeesport, Pa.-based G. C. Murphy.

The department store group also improved profits. Led by Associated Dry Goods and Allied Stores, the six-company classification's profits were up 61.4%. In 1982, first-quarter profits for department stores dropped 27%.

Specialty store and apparel chains also fared well. The specialty outlets, thanks to Toys "R" Us, improved first-quarter profits by 48.6%. Among the apparel group, The Gap and The Limited posted hefty increases while Miller Wohl's profits slumped 14.8%.

Profits for the 23-chain total were up 145.1% for the quarter compared with a 15.9% decrease for the same period last year.

## Rebates top coupons as cents-off strategy

Hassles aside, indications are that manufacturer rebates are a more appealing bait for consumers than coupons. And while neither vehicle proves a heavyweight in attracting customers to sample new products, rebates, again, carry more clout.

A recent study conducted by *The Journal of Marketing* found that only 3% of all clip-out coupons are ever redeemed. Slightly more, 5%,



Manufacturer rebates are a more appealing bait than coupons.

of the pop-up variety (those that appear between the pages of magazines) are redeemed and 10% of all coupons that arrive via the mail are turned in.

A just-released survey from the National Mass Retail Institute sponsored by Du Pont found that 12% of all rebates are redeemed—a figure stronger than it appears considering that 26% of all consumers do not turn in rebates with nearly half that total blaming the trouble involved in getting the money back.

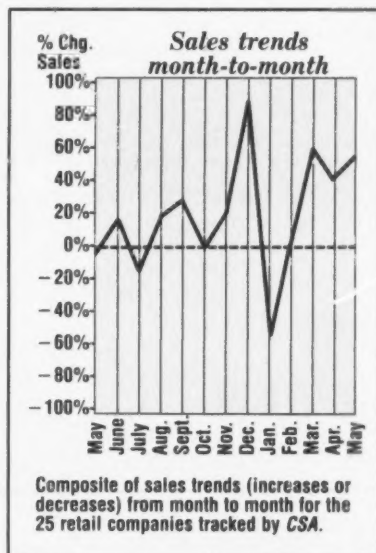
Just as interesting is the fact that the strongest area for coupons, those that come on or in the package of the product—with a redemption rate between 15% and 20%—indicates customers who have already purchased the product are more than willing to get a little cash back. But that doesn't help much in trying to get shoppers to try a product they've never purchased.

The NMRI poll, on the other hand, found that 28% of the consumers purchased a product they had never tried before that featured a rebate.

## Durables power May sales hike

Led by big-ticket durables, sales for general merchandise chains tracked by CSA were up 10.6% in May. The latest sales figures are further evidence of a moderate, consumer-led recovery aided by an improved housing and employment picture as well as tax refund checks.

Two of the nation's leading hard lines retailers, Sears and Montgomery Ward, again reported strong sales increases in household-oriented durables. At Sears, which logged a 6.3% total sales hike, volume of big-ticket items was up for



the eighth consecutive month while Ward reported durable goods strength for the sixth consecutive month.

"Sears reflects what's going on in the economy better than most [GM] firms," notes Jay Levine, a Chicago-based retail economist. "It's in line with my expectations which clearly call for an upturn, but not a boom."

The early, post-recession strength in durable sales, Levine adds, is a reversal of the typical recovery trend where small-ticket items are the first to benefit from improved economic conditions. "The sales patterns are unique as home-oriented durables and semi-durables are moving up hand-

## Sales finally coming up recovery

| MAJOR CHAINS                    | % change      | MAY SALES*       |                  | STORES |       | 4-MO. SALES*      |                   | % change     |
|---------------------------------|---------------|------------------|------------------|--------|-------|-------------------|-------------------|--------------|
|                                 |               | 1983             | 1982             | 1983   | 1982  | 1983              | 1982              |              |
| SEARS                           | + 6.3         | 1,644,266        | 1,546,622        | 824    | 848   | 6,329,474         | 5,966,842         | + 6.1        |
| PENNEY                          | + 3.6         | 744,000          | 718,000          | 2,039  | 2,076 | 2,862,000         | 2,798,000         | + 2.3        |
| WARD                            | + 3.6         | 450,939          | 435,304          | 377    | 388   | 1,648,179         | 1,612,389         | + 2.2        |
| FEDERATED <sup>1</sup>          | + 14.7        | 511,500          | 446,100          | N/A    | N/A   | 2,352,400         | 2,066,100         | + 13.9       |
| DAYTON HUDSON                   | + 23.6        | 484,300          | 391,700          | 1,031  | 891   | 1,816,044         | 1,538,649         | + 18.0       |
| MAY DEPT. STORES                | + 12.7        | 308,400          | 273,600          | 1,497  | 1,309 | 1,155,200         | 1,008,000         | + 14.6       |
| R. H. MACY                      | + 17.8        | 266,700          | 226,400          | 92     | 92    | 1,047,200         | 874,700           | + 19.7       |
| ALLIED STORES                   | + 16.0        | 278,500          | 240,000          | 547    | 520   | 1,040,000         | 909,700           | + 14.3       |
| CARTER HAWLEY HALE              | + 18.0        | 245,700          | 208,300          | 1,042  | 966   | 968,900           | 847,600           | + 14.3       |
| ASSOCIATED DRY GOODS            | + 7.6         | 257,100          | 238,900          | 252    | 245   | 945,500           | 875,600           | + 8.0        |
| MERCANTILE                      | + 13.2        | 126,091          | 111,412          | 85     | 83    | 443,615           | 386,879           | + 14.7       |
| K MART                          | + 10.3        | 1,469,518        | 1,331,813        | 2,385  | 2,395 | 5,402,505         | 4,932,513         | + 9.5        |
| WOOLWORTH                       | + 4.2         | 407,474          | 391,120          | N/A    | N/A   | 1,535,388         | 1,483,792         | + 3.5        |
| HOUSEHOLD MERCH. <sup>2,3</sup> | - 2.7         | 234,321          | 240,873          | 3,649  | 3,819 | 869,933           | 899,927           | - 3.3        |
| WAL-MART                        | + 28.2        | 364,000          | 284,000          | 580    | 502   | 443,615           | 386,879           | + 14.7       |
| T.G. & Y.                       | - 5.8         | 163,700          | 173,691          | 870    | 931   | 607,314           | 626,364           | - 3.0        |
| ZAYRE <sup>4</sup>              | + 12.7        | 187,550          | 166,454          | 672    | 607   | 706,288           | 597,588           | + 18.2       |
| BRADLEES                        | + 29.4        | 80,600           | 62,300           | 112    | 95    | 274,200           | 212,300           | + 29.2       |
| MURPHY                          | - 1.0         | 65,113           | 65,792           | 417    | 435   | 253,798           | 261,313           | - 2.9        |
| ROSE'S                          | + 21.2        | 80,933           | 66,766           | 244    | 238   | 238,126           | 205,020           | + 16.1       |
| HECK'S                          | + 9.1         | 38,110           | 34,947           | 120    | 113   | 133,469           | 118,396           | + 12.7       |
| JAMESWAY                        | + 18.6        | 31,638           | 26,666           | 75     | 65    | 109,876           | 92,101            | + 19.3       |
| MELVILLE                        | + 17.6        | 280,366          | 238,387          | 5,604  | 5,317 | 1,271,502         | 1,089,308         | + 16.7       |
| TANDY                           | + 16.8        | 189,983          | 162,696          | N/A    | N/A   | 775,404           | 633,604           | + 22.4       |
| EDISON BROS.                    | + 12.8        | 100,811          | 89,386           | 2,162  | 2,114 | 372,491           | 345,660           | + 7.8        |
| THE GAP                         | + 1.5         | 27,700           | 27,300           | 553    | 535   | 115,400           | 111,700           | + 3.3        |
| <b>TOTALS &amp; AVERAGES</b>    | <b>+ 10.6</b> | <b>8,875,613</b> | <b>8,024,838</b> |        |       | <b>32,995,017</b> | <b>30,142,860</b> | <b>+ 9.5</b> |

\*000 omitted. N.C. = no change. N/A = not available.

<sup>1</sup>Store number for full-line outlets only. <sup>2</sup>Includes 1,594 franchise stores (vs. 1,679 a year ago). <sup>3</sup>Includes T.G. & Y. sales. <sup>4</sup>Includes 265 Zayre stores (vs. 265 a year ago), 306 Hit or Miss stores (vs. 267) and 101 T. J. Maxx stores (vs. 75). <sup>5</sup>Excludes supermarket sales.

somely," he explains. "Small-ticket items are not leading the way in this recovery."

K mart was another strong performer in May. The Troy, Mich.-based discounter recorded a 10.3% sales increase (same-store sales were up 9.5%) as the chain continued its turnaround effort marked by new merchandising strategies, cost cutting and diversification. K mart's figures were encouraging because the sales hikes were matched against moderately strong sales periods in '81 and '82.

Solid sales were also turned in by R. H. Macy with a 17.8% same-store increase; New York City-based Mercantile logging an 11.8% same-store sales hike; Radio Shack's (a Tandy division) domestic units were up 14% on a same-store basis, and The May Co.'s department store group recorded an 8.7% same-store increase.

## Top booksellers soar in 1982

The nation's top four bookselling chains all scored substantial sales hikes in 1982, according to the latest industry report by White Plains, N. Y.-based, "BP Reports."

B. Dalton, the nation's largest bookseller and a Dayton Hudson subsidiary, increased sales by 17.2% from \$319.3 million to \$374.3 million. The second-largest chain, Carter Hawley Hale's Waldenbooks, scored a 15.2% increase, with volume up to an estimated \$360 million. Discounters Barnes & Noble and Landover, Md.-based Crown Books recorded 19.8% and 42.8% sales hikes, respectively.

Knoxville-based Gateway appeared in "BP Reports" top 10 with sales of \$21 million, replacing Brentano's which filed Chapter XI in '82.



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# Chain Store Age

GENERAL MERCHANDISE EDITION August 1983

Serving up profits  
through upscale  
discounting

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TARGET

# IN THIS ISSUE

## TARGET



p. 41

**INTRODUCTION** p. 31  
Upscaling new direction for discounters p. 31  
Discounters enter transitional age p. 33 K mart sets pace for competitors p. 34 Profiles of upscale chains p. 34

**TARGET • Target** strives for perfection p. 39 Men's wear caters to value-conscious p. 44 Housewares undergoes facelift p. 54 Sharpens consumer electronics presentation p. 58 DIY-ers spur home improvement market p. 62

## BRADLEES



p. 65

**BRADLEES • Playing** the department store game p. 65 Zayre, Bradlees top Boston survey p. 68 Fashion excitement draws female market p. 68 Men's sales soar in women's store p. 73 Plus sizes growth dept. p. 76 Bed and bath impacts dept. store look p. 76 Appliances reflect up-scale shift p. 82

## CLOVER



p. 100

**CLOVER • Clover** blocms on tough retail turf p. 89 Prime outlet for high-margin lines p. 91 Fashion is the focus in housewares p. 91 Clover features profitable table-top p. 94 Prototype dept. is selling machine p. 98 Clover solves computer dilemma p. 100 Clover rings up telephone dollars p. 100 Aim is mid-market apparel p. 102 Outsteps rivals in hosiery p. 103 Chases step-up men's slacks shopper p. 104

## RICHWAY



p. 109

**RICHWAY • Richway** turns back on bearish 1982 p. 109 K mart bests Richway in Atlanta p. 112 Soft lines strong selling point p. 117 Women's wear: best and worst p. 118 Future direction in men's wear p. 121 Attacks hard line headaches p. 123 Leads in new high-tech trends p. 123 Toys are no game for Richway p. 124

## Industry News

|                      |     |
|----------------------|-----|
| Newstrack            | 24  |
| Price Point Tracking | 127 |
| Touche Ross          | 130 |
| Wash. Viewpoint      | 132 |

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## A rock with a reason

This year's Pet Rock may turn out to be another rock—this one with a reason for being because the Keystone, a synthetic rock, actually has a purpose. A secret storage compartment holds up to four keys and offers a solution to where to keep the spare key.

The Keystone was created by Mary Ellen Pinkham, of household-hints fame. Stationery departments in several J. C. Penney stores and New York department stores are currently stocking it, at \$5 retail. A Penney spokesman reports that the rock is doing very well in the stores that carry it.

## 'Made in U.S.A.' not what it used to be

Most Americans (85%) may be satisfied with the quality of manufactured products today, but according to a Whirlpool-sponsored survey of consumer attitudes, the fact that an item is manufactured in the United States has lost much of its importance as a quality indicator. "Made in America" ranked fifth among consumers as an "always important" key indicator of quality. Safety, workmanship, a warranty and materials all ranked higher.

And when asked what the *most*

important indicator of quality was, "Made in America" was mentioned by only 14% of respondents.

American production significantly declines as an indicator of quality among better educated, younger and more affluent consumers. Only 5% of college graduates say it is the most important factor compared to 22% of respondents

who have some high school education and 17% of those with an eighth grade or less education.

One in 10 respondents with family incomes above \$25,000 say "Made in America" is the most important indicator of quality. Of those earning between \$15,000 and \$25,000, 15% say it is the key indicator.

## Ask for Bio-Pruf® Protection. Because You Care.

Ventron's Bio-Pruf® and Vinyzene® antimicrobials will fight the germs and bacteria that cause mold and mildew in everything from shower curtains and wallcoverings to carpeting, furniture and bedding. For products that are hygienic, fresh, and odor free, ask your suppliers for Ventron antimicrobial protection by name.

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Ventron Division

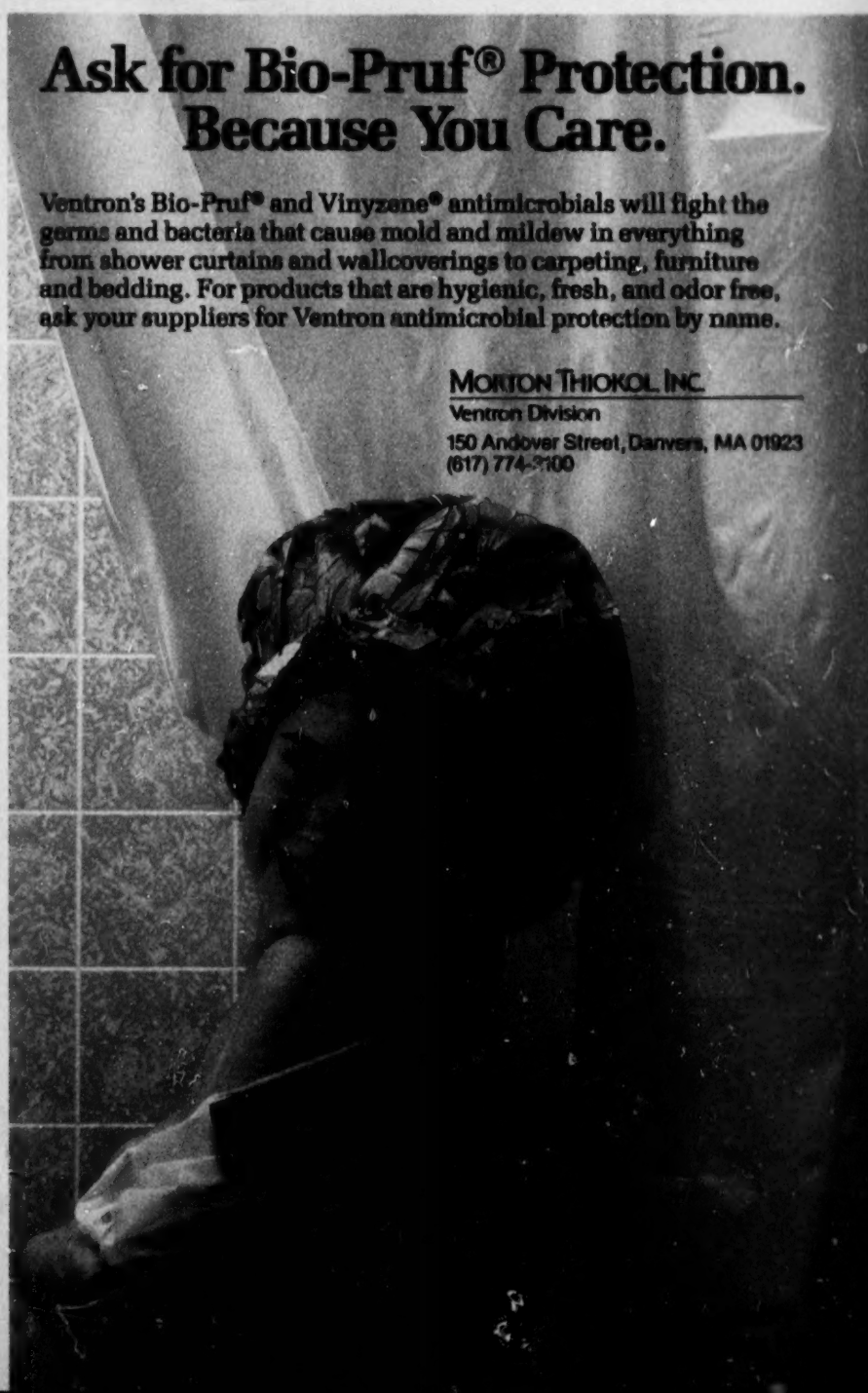
150 Andover Street, Danvers, MA 01923  
(617) 774-3100

### Important indicators of quality

| Indicator               | Always Important | Usually Important | Most Important |
|-------------------------|------------------|-------------------|----------------|
| Safety                  | 88%              | 13%               | 14%            |
| Workmanship             | 74               | 19                | 44             |
| Warranty                | 69               | 18                | 7              |
| Materials               | 66               | 22                | 16             |
| Made in U.S.            | 48               | 24                | 14             |
| High price              | 24               | 19                | 1              |
| Innovative style/design | 23               | 29                | 2              |
| Packaging               | 21               | 29                | 8              |
| High status brand name  | 13               | 21                | 1              |
| Widely adv. brand       | 11               | 22                | 1              |

Columns add up to more than 100% due to multiple responses.

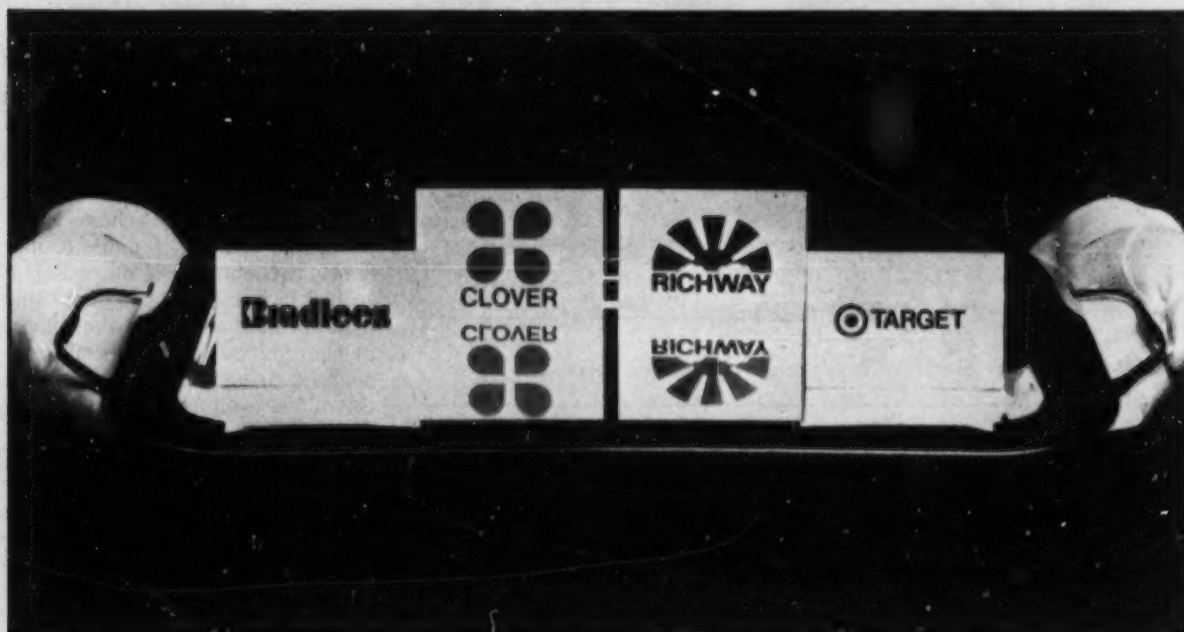
Source: Whirlpool report on consumers in the 80's.





# Upscaling: the profitable direction for discounters

Quick to seize trends, upscalers combine savvy merchandising and ambience to produce the industry's best overall sales and profits



**S**ol Price and his warehouse imitators notwithstanding, discounting has come a long way since its barn-like, cavernous days of the 1960's.

The rush in discounting, as it is in all retailing, is to upscale—upgrade the merchandise with better quality. Get a higher price point. And, if the merchandise upgrading has a limitation imposed on it, either by corporate strategists or reluctant suppliers, at the very least upgrade presentation. The order of the day is to change the selling environment so that old goods look new and upgraded goods look like they belong.

Why the upscale push? The answer lies in the numbers.

A *Chain Store Age* analysis shows that upscale discount stores outperform other discounters.

The analysis covered 22 full-line

chains with a total volume of \$32.5 billion, or roughly 75% of the discount market. The chains were divided into three groups: upscale, traditional and transitional.

Upscale chains proved to be the market leaders, followed closely by the transitional stores and then, further back, by the traditionalists.

As can be seen by the accompanying charts, the upscalers led the pack in per cent increase in operating earnings '82 vs. '81, average sales per store, sales per gross square foot, operating income per gross square foot, and operating income return on assets.

Mainly on the strength of Wal-Mart's showing, transitional stores turned in the best year-to-year sales increase, operating income to sales per cent, and the highest-compound growth rates 1978-82 for

sales and operating income.

**What makes an upscaler:** a combination of factors working together.

Upscale discount retailers concentrate on the look and feel of their stores. To attract the higher-income customers they seek, they make sure that the customer is greeted at all times with a clean, fresh, appealing store, one that invites them in rather than takes them for granted. While most retailers strive for a pleasing environment, upscalers work toward a coordinated look that is backed by systems, including heavy use of the planogram, that insure it.

The look of the store carries over to displays and presentation. The first to extensively use a race track traffic pattern that exposes most departments to shoppers, upscalers are leaders in developing and/or em-



Upscale discounters like Gold Circle feature high-margin apparel.

## Upscale discounters lead industry

|                    | % Sales change | % Op. inc. change '81-'82 | Op. inc. % sales | Avg. sales per store | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Op. inc. return on assets | % Change compound sales '78-'82 | % Change compound op. inc. '78-'82 |
|--------------------|----------------|---------------------------|------------------|----------------------|-------------------------|----------------------------|-----------------------------|---------------------------------|------------------------------------|
| Upscale            | +16.8          | +38.4                     | 4.5              | \$13,282,007         | \$111                   | \$8.77                     | 11.5                        | +18.3                           | +18.3                              |
| Transitional       | +23.9          | +27.3                     | 5.6              | 5,156,188            | 97                      | 5.47                       | 5.6                         | +18.4                           | +21.6                              |
| Traditional        | +2.3           | +20.2                     | 2.7              | 7,599,617            | 113                     | 3.01                       | 6.3                         | +10.7                           | -7.0                               |
| 22 Store Composite | +9.4           | +27.2                     | 3.8              | 7,608,162            | 115                     | 4.28                       | 9.0                         | +13.3                           | +3.6                               |

Source: CSA research

playing fashion fixtures.

Apparel departments use rounders, waterfalls and four-ways. Piperacks, when used, are reserved for tonnage items such as men's jeans. Carpeting is generally underfoot in apparel areas. Finger walls abound. In hard goods, upscalers like Bradlees and Target use lighted fixtures in housewares and gift areas.

The major emphasis at store level, though, is clearly on apparel. Perhaps because many of the upscalers either began as a department store company offspring, or, as in the case of Bradlees, recruited department store executives to run them, upscalers realized before the rest of the industry the need to rely on soft goods margins to bolster the bottom line.

Consistently, upscalers devote more space than other chains to apparel and feature it more prominently in their advertisements. Upscalers have taken the lead in using bold graphics and four-color photos in their circulars. They also pioneered using lifestyle artwork in the ads as well as in their in-store displays.

Advertising, display and presentation are really just the outside framework of what it means to be an upscale discounter. Merchandise content—and the strategy to be the first in a market to capitalize on emerging trends—truly define the segment of the industry.

To the everyday basics discounters carry, upscalers layer on merchandise with a quality and price

## Target leads upscale format, ShopKo edges Caldor for second place\*

| Chain                             | 1982 sales (000 omitted) | % Sales change | 1982 Op. inc. (000 omitted) | % Op. inc. change | Op. inc. % sales | Avg. sales per store    | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Op. inc. return on assets | % Change compound sales '78-'82 | % Change compound op. inc. '78-'82 |
|-----------------------------------|--------------------------|----------------|-----------------------------|-------------------|------------------|-------------------------|-------------------------|----------------------------|-----------------------------|---------------------------------|------------------------------------|
| Bradlees                          | \$ 871,636               | +21.3          | \$ 60,474                   | +94.8             | 5.8%             | \$ 8,849,096            | \$109                   | \$8.30                     | 19.2                        | +15.3                           | +19.5                              |
| Caldor                            | 825,191                  | +18.7          | 58,775                      | +20.5             | 6.4              | 12,094,000              | 131                     | 8.30                       | 10.9                        | +18.1                           | +13.0                              |
| Gemco                             | 1,381,000 <sup>1</sup>   | +8.0           | 38,900                      | +17.5             | 1.7              | 16,638,554 <sup>1</sup> | 201 <sup>1</sup>        | 4.12                       | 7.5                         | +6.8 <sup>1</sup>               | +1.7                               |
| Gold Circle <sup>2</sup> /Richway | 822,900                  | +24.0          | 23,800                      | +26.8             | 2.9              | 11,840,287              | 106                     | 3.07                       | 5.8                         | +11.2                           | +2.3                               |
| ShopKo                            | 389,500                  | +15.6          | 24,000                      | +21.6             | 6.4              | 11,455,882              | 143                     | 9.12                       | N/A                         | +21.3                           | +14.8                              |
| Target                            | 2,412,400                | +17.4          | 150,100                     | +38.1             | 6.2              | 15,172,327              | 156                     | 9.70                       | 14.2                        | +28.0                           | +25.0                              |
| Venture                           | 680,300                  | +11.3          | 30,000                      | +78.8             | 4.4              | 14,789,130              | 128                     | 5.67                       | 10.2                        | +10.2                           | +25.7                              |
| Composite                         | 7,512,927                | +18.8          | 374,849                     | +38.4             | 4.5              | 13,282,007              | 141                     | 8.77                       | 11.5 <sup>3</sup>           | +18.3                           | +18.3                              |

N/A = Not available

<sup>1</sup>Excludes food sales

<sup>2</sup>Excludes closed divisions

<sup>3</sup>Excludes ShopKo

\*Ranking based on all yardsticks except sales, operating income and return on assets

Source: CSA research

# SPECIAL REPORT

## Wal-Mart leads class of transitional discounters

| Chain         | 1982 sales (000 omitted) | % Sales change | 1982 Op. inc. (000 omitted) | % Op. inc. change | Op. inc. % sales | Avg. sales per store | Sales per gross sq. ft. | Op. inc. per gross sq. ft. | % Op. inc. return on assets | % Change compound sales '78-'82 | % Change compound '78-'82 |
|---------------|--------------------------|----------------|-----------------------------|-------------------|------------------|----------------------|-------------------------|----------------------------|-----------------------------|---------------------------------|---------------------------|
| Ames          | \$ 422,806               | +10.4          | \$ 22,243                   | +10.8             | 5.3              | \$3,178,992          | \$ 76                   | \$7.03                     | 13.9                        | +25.9                           | +18.5                     |
| Grand Central | 255,878                  | + 8.4          | 1,921                       | -78.5             | 0.5              | 7,996,168            | 101                     | 0.78                       | 7.6                         | + 5.8                           | -35.6                     |
| Jamesway      | 332,513                  | +12.3          | 15,823                      | +80.2             | 4.8              | 5,038,076            | 88                      | 4.18                       | 12.8                        | +13.2                           | + 5.4                     |
| Rose's        | 661,903                  | +11.3          | 23,587                      | +33.0             | 3.6              | 2,804,674            | 78                      | 2.79                       | 15.3                        | + 7.3                           | + 7.2                     |
| Wal-Mart      | 3,376,252                | +38.1          | 240,998                     | +48.3             | 7.1              | 8,543,124            | 131                     | 9.33                       | 20.3                        | +38.1                           | +43.2                     |
| Zayre         | 1,515,999                | +12.7          | 55,059                      | +33.6             | 3.4              | 6,156,187            | 87                      | 2.97                       | 9.9                         | + 7.2                           | + 9.3                     |
| Zody's        | 3,335,357                | + 8.2          | 15,985                      | -54.0             | 4.8              | 6,844,020            | 85                      | 4.09                       | 7.9                         | +15.0                           | - 8.4                     |
| Composite     | 6,674,686                | +23.9          | 375,598                     | +27.3             | 5.6              | 5,156,188            | 97                      | 5.47                       | 15.0                        | +18.4                           | +21.6                     |

<sup>1</sup>Discount stores only  
Source: CSA research

point level previously thought to be beyond the reach of discount store operations. Caldor does it with Lenox china and Hummel figurines, items that bring in higher-than-average price points. Bradlees does it by picking lifestyle segments and building up business in home furnishings with department store quality in presentations that match those of many suburban department store branches.

Latching on to emerging trends sooner than its competition distinguishes upscale stores. Conversely, the failure to do so can cause problems. Case in point: last year Richway failed to be on the cutting edge in hard lines. Coupled with other factors, the failure deflated earnings, says Jack Smailes, president, adding that in the future, "We will be dominant in the major trends in the business."

The higher-quality, higher-ticketed merchandise raises the average transaction. In preparing this special study of the upscale discount store, CSA surveyed consumers in four markets, Indianapolis, Atlanta, Philadelphia and Boston. The CSA/Leo Shapiro and Associates survey found that on average shoppers spent more in upscale discount stores than they did in K mart.

Indeed, K mart's sales per gross square foot of \$123 trailed most upscale discount stores. It exceeded only those of Bradlees (\$109) and the combined figure for Gold Circle and Richway (\$106).

Upscale discount chains have concentrated their development mainly in heavily populated areas, enabling them to pump out the highest-aver-

ge store sales of any discounters. Even Bradlees \$8.8 million figure, lowest of any upscale store, is higher than the rest of the pack, led by K mart at \$8.5 million.

## Discounters enter transitional age

**T**ransitional discount stores include in their ranks some of the more interesting chains to watch.

Leading the transitional field, as

well as all of discounting, is Wal-Mart, the Bentonville, Ark.-based wonder chain. Pres. Jack Shewmaker argues that he sees no real differentiation between Wal-Mart and upscale stores. He believes that any limitation on items and price points in Wal-Mart stores vis-a-vis upscale stores like Venture or Target is more a function of geography than chain philosophy. The small town markets mainly served by Wal-Mart absorb trends slower than the big city markets of the upscalers. Consequently, Wal-Mart has to in-



Lifestyle furniture has found a welcome home in discount stores like Target.



## Five of eight traditional discounters posted negative earnings '78-'82

| Chain                    | 1982 sales (000 omitted) | % Sales change     | 1982 Op. inc. (000 omitted) | % Op. inc. change | Op. inc. % sales | Avg. sales per store     | Sales per gross sq. ft. | Op. inc. gross sq. ft. | % Op. inc. return on assets | % Change compound sales '78-'82 | % Change compound '78-'82 |
|--------------------------|--------------------------|--------------------|-----------------------------|-------------------|------------------|--------------------------|-------------------------|------------------------|-----------------------------|---------------------------------|---------------------------|
| Cook United <sup>1</sup> | \$ 580,954               | - 0.4              | \$ 8,978                    | - 7.8             | 1.5              | \$4,986,730              | \$ 69                   | \$1.07                 | 3.9                         | +13.8                           | - 5.4                     |
| Danners <sup>2</sup>     | 151,488                  | +14.9              | 4,832                       | -13.0             | 3.2              | 4,390,957                | 89                      | 2.84                   | 9.6                         | +15.8                           | +14.3                     |
| Duckwall-ALCO            | 295,141 <sup>1</sup>     | + 9.7 <sup>1</sup> | 17,821                      | +14.4             | 7.8 <sup>2</sup> | 2,984,283 <sup>1</sup>   | 67 <sup>1</sup>         | 5.24 <sup>1</sup>      | 17.2 <sup>2</sup>           | +12.7 <sup>1</sup>              | + 8.5                     |
| Gaylord's                | 114,542                  | - 3.2              | 1,880                       | -21.6             | 1.8              | 3,095,730                | 55                      | 0.90                   | 4.4                         | + 0.4                           | -11.2                     |
| Heck's <sup>1</sup>      | 355,585                  | +30.3              | 19,458                      | +38.1             | 5.5              | 3,307,581                | 73                      | 3.99                   | 10.1                        | +15.3                           | - 2.7                     |
| K mart                   | 16,997,000 <sup>1</sup>  | + 1.6 <sup>1</sup> | 424,000                     | +31.4             | 2.8 <sup>2</sup> | 8,517,146 <sup>2,3</sup> | 123 <sup>1,2</sup>      | 2.61 <sup>1</sup>      | 5.8 <sup>2</sup>            | +10.6 <sup>1</sup>              | - 9.3 <sup>1</sup>        |
| G. C. Murphy             | 530,955 <sup>1</sup>     | + 7.1 <sup>1</sup> | 51,278                      | +30.9             | 6.2 <sup>1</sup> | 4,893,594 <sup>1</sup>   | 88 <sup>1</sup>         | 4.04 <sup>1</sup>      | 16.8 <sup>1</sup>           | +11.3 <sup>1</sup>              | + 2.8 <sup>1</sup>        |
| S. E. Nichols            | 241,317                  | + 4.2              | (4,287)                     | —                 | —                | 5,614,867                | 84                      | —                      | —                           | + 3.5                           | —                         |
| Composite                | 18,186,982               | + 2.3              | 523,180                     | +20.2             | 2.7 <sup>1</sup> | 7,996,617                | 113                     | 3.61 <sup>1</sup>      | 6.3 <sup>1</sup>            | +10.7                           | - 7.9                     |

(-) = Loss <sup>1</sup>U.S. Discount stores only  
Source: CSA research

<sup>2</sup>Based on total discount/variety business

<sup>3</sup>Includes Meldisco sales

introduce trend items more slowly.

Nevertheless, Wal-Mart's decision to segment its stores' merchandising and presentation based on market is a departure from the more rigid approach taken by the upscalers. But Wal-Mart clearly is moving toward a more uniform look in its stores more in line with the presentation found in Target and other upscalers.

Zayre is perhaps a classic example of how a company can change its appearance and succeed without materially trading up beyond its core customer. Zayre's apparel departments still rely on the pipe rack, but the upgrading of the last few years has transformed the once bargain basement look of the stores into more distinct, cleaner units. It even has tackled the movement toward upgraded housewares with a gourmet housewares section that, while bringing in higher price points, does not match Bradlees or Caldor in price points.

New Jersey-based Jamesway president Arlie Lazarus puts his chain in the middle of the traditional and upscale stores. The chain is concentrating on improving its soft lines sections and is bringing in higher priced merchandise in hard goods. Jamesway is taking a sharp look at its competition, particularly Bradlees and Caldor, as they expand into the mid-Atlantic market. For now, Jamesway has but few head to head locations with the two upscalers. It competes more directly with K mart, and its transitional mode is adapting well. □

## K mart sets level for competitors

K mart chairman Bernard M. Fauber believes that the trend in the next five years will find all discount chains upgrading. So will K mart.

But even as K mart upgrades, other chains will continue to use the nation's largest discounter as the level by which to measure how high they can go in their upgrading.

Fauber professes to care little about the "floor-mat" position. He sees K mart as the store for the masses, one that will upgrade its taste levels with the masses.

K mart, as are the other traditional discounters, are trading up too. But, while CSA/Leo Shapiro research shows that shoppers visit K mart stores more frequently than upscale stores, their average transaction is lower. Versus Target in Indianapolis, for example, K mart shoppers spent an average 11% fewer dollars per trip than Target customers.

The problem faced by traditional discounters can be seen in the low sales and operating income per gross square foot figures posted.

K mart's size, of course, heavily weighted the composite figures for the traditional segment of the industry. Without K mart, the seven other chains would have posted a 5.4% sales rise (vs. 2.3% with K mart); a 26.5% jump in operating income (vs. +20.2%); 4% operating income to sales (vs. 2.7%) only \$4.1

million sales per store (vs. \$7.6 million); \$73 sales per gross square foot (vs. \$113); \$3.31 in operating income per gross square foot (vs. \$3.01); 9.9% return on assets (vs. 6.3%); +14.8% compound sales (vs. +10.7%) and just under 1% lower compound operating income (vs. -7.9%). □

## Profiles of upscale chains

In the pages that follow, CSA profiles four of the upscale chains. Each presents a different aspect of the upscale chain.

Target is perhaps the epitome of the concept. One of the first, if not the first, Target is the biggest of the upscale chains and has embarked on the most extensive expansion program.

Bradlees is an example of a chain that successfully transformed itself from a traditional discounter to what many observers believe is one of the most progressive upscale discounter today.

Richway provides a glimpse at a company rebounding from a year of underachievement. Yet its grip on the Atlanta market provides it with a strong base on which to spring back.

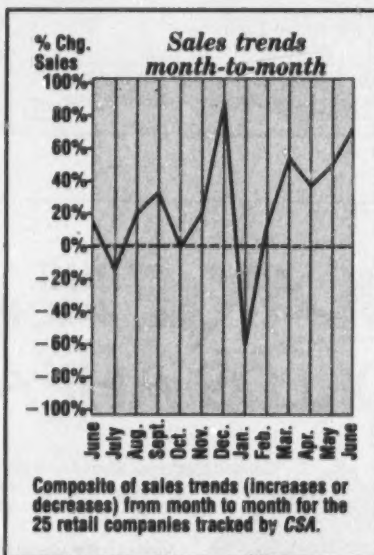
Clover is the smallest of the chains profiled. It has a tight lock on the Philadelphia market, a market that has seen other discounters like Woolco, Korvettes and J. M. Fields come and go. □

# FINANCIAL NEWS

## Bullish consumers boost summer sales

What a difference a year makes. In June '82, GMers were reeling from a recession that was carving into sales and profits. But with the economy now steaming along stronger than economists anticipated, sales for the 25 chains tracked by CSA were up 15.4%.

A big winner in the June sales report was Troy, Mich.-based K mart which logged a 15.5% sales hike and a 13.8% same-store increase (K mart's June '82 sales, however, were down 1.2%). The discounter reported strong increases



in apparel, a category that logged flat results in the March-April sales period.

"Improvements in K mart's merchandising program, favorable weather and optimistic consumers," were behind the strong showing, said Bernard Fauber, the chain's chairman.

Meanwhile, the nation's largest retailer, Sears, topped \$2 billion in sales for the June period—a first for a non-December sales period. "All sections of the nation reported increases led by the East and the Midwest," said chairman Edward Telling.

As has been the trend, big ticket durables performed well in June.

## No June swoon as economy recovers

| MAJOR CHAINS                      | % change | JUNE SALES* |           | STORES |       | 5-MO. SALES* |            | % change |
|-----------------------------------|----------|-------------|-----------|--------|-------|--------------|------------|----------|
|                                   |          | 1983        | 1982      | 1983   | 1982  | 1983         | 1982       |          |
| SEARS'                            | + 10.3   | 2,047,700   | 1,857,252 | 823    | 847   | 8,377,174    | 7,824,095  | + 7.1    |
| PENNEY                            | + 7.0    | 945,000     | 883,000   | 2,039  | 2,072 | 3,807,000    | 3,681,000  | + 3.4    |
| WARD'                             | + 6.4    | 543,224     | 510,351   | 375    | 388   | 2,191,402    | 2,122,740  | + 3.2    |
| FEDERATED'                        | + 18.2   | 624,900     | 528,800   | N/A    | N/A   | 2,655,200    | 2,320,200  | + 14.4   |
| DAYTON HUDSON                     | + 27.4   | 608,809     | 477,756   | 1,034  | 900   | 2,425,501    | 1,962,042  | + 23.6   |
| MAY DEPT. STORES                  | + 19.8   | 360,500     | 301,000   | 1,509  | 1,314 | 1,516,200    | 1,309,000  | + 15.8   |
| R. H. MACY                        | + 19.0   | 337,900     | 284,000   | 92     | 91    | 1,385,100    | 1,158,700  | + 19.5   |
| ALLIED STORES                     | + 20.1   | 315,200     | 262,500   | 549    | 520   | 1,355,100    | 1,172,200  | + 15.6   |
| CARTER HAWLEY HALE                | + 19.0   | 308,500     | 257,300   | 1,044  | 974   | 1,277,100    | 1,106,900  | + 15.4   |
| ASSOCIATED DRY GOODS              | + 25.0   | 352,200     | 281,800   | N/A    | N/A   | 1,299,000    | 1,157,000  | + 12.3   |
| MERCANTILE                        | + 18.7   | 115,339     | 97,156    | 85     | 84    | 558,954      | 484,035    | + 15.5   |
| K MART                            | + 15.5   | 1,839,738   | 1,592,945 | 2,139  | 2,084 | 7,242,243    | 6,525,458  | + 11.0   |
| WOOLWORTH                         | + 7.7    | 500,264     | 464,328   | N/A    | N/A   | 2,035,630    | 1,948,120  | + 4.5    |
| HOUSEHOLD MERCH. <sup>2,3,3</sup> | - 4.3    | 224,756     | 234,975   | 3,738  | 3,814 | 1,094,689    | 1,134,902  | - 3.5    |
| WAL-MART                          | + 47.0   | 363,000     | 247,000   | 586    | 505   | 1,581,000    | 1,196,000  | + 32.0   |
| T.G. & Y.                         | - 5.3    | 150,985     | 159,458   | 861    | 929   | 758,299      | 785,822    | - 3.5    |
| ZAYRE'                            | + 25.3   | 238,515     | 190,409   | 651    | 604   | 944,803      | 787,997    | + 19.9   |
| BRADLEES                          | + 43.7   | 102,900     | 71,600    | 112    | 95    | 377,100      | 283,900    | + 32.8   |
| MURPHY                            | + 8.3    | 78,754      | 72,744    | 416    | 429   | 332,462      | 334,057    | - 0.5    |
| ROSE'S                            | + 31.8   | 61,339      | 46,555    | 244    | 238   | 299,465      | 251,575    | + 19.0   |
| HECK'S                            | + 6.2    | 32,700      | 30,800    | 120    | 119   | 188,700      | 166,400    | + 13.4   |
| JAMESWAY                          | + 38.1   | 44,032      | 31,881    | 75     | 65    | 150,190      | 121,064    | + 24.1   |
| MELVILLE                          | + 27.5   | 330,522     | 259,146   | 5,611  | 5,319 | 1,602,024    | 1,348,454  | + 18.8   |
| TANDY                             | + 14.7   | 200,900     | 175,203   | N/A    | N/A   | 976,304      | 808,807    | + 20.7   |
| EDISON BROS.                      | + 16.9   | 94,123      | 80,486    | 2,166  | 2,129 | 466,682      | 426,153    | + 5.5    |
| THE GAP                           | + 8.7    | 36,100      | 33,200    | 556    | 533   | 151,500      | 144,900    | + 4.6    |
| TOTALS & AVERAGES                 | + 15.4   | 10,706,915  | 9,274,187 | —      | —     | 44,280,523   | 39,775,699 | + 11.4   |

\*000 omitted. N.C. = no change. N/A = not available.

<sup>1</sup>Store number for full-line outlets only. <sup>2</sup>Includes 2,829 franchise stores (vs. 2,838 a year ago). <sup>3</sup>Includes T.G. & Y. sales. <sup>4</sup>Includes 267 Zayre stores (vs. 266 a year ago), 303 Hit or Miss stores (vs. 263) and 101 T. J. Maxx stores (vs. 75). <sup>5</sup>Excludes supermarket sales.

Sears reported substantial increases for large appliances for the ninth consecutive month while Montgomery Ward, which enjoyed a total 6.4% sales hike, said appliances were up for the seventh consecutive month.

Department store chains also reported strong sales increases led by New York-based R. H. Macy and Mercantile. Macy's sales were up 19% (with one additional store since June '82), and Mercantile scored a massive 17.3% same-store sales increase (14.2% for the year).

Among discounters, Bentonville-based Wal-Mart logged an 18% same-store hike (13% for the year); Braintree, Mass.-based Bradlees reported a 20% same-store increase; Rose's recorded a 31.8% increase (adding only six more stores); and New Jersey-based Jamesway was up 38.1%.

## Sears ups share of Canadian group

Sears, Roebuck & Co. has increased its share in Toronto-based Simpson-Sears Ltd., by purchasing \$211.2 million (Canadian) in stock from the Hudson's Bay Company.

The Chicago-based GMer last month purchased 20.2% of Hudson's Bay's share in Simpson-Sears. The deal increased Sears' ownership from 40.3% to 60.5%.

In '82 Simpson-Sears logged sales of \$3.14 billion while its net income was \$27.2 million. In the first quarter, however, the chain lost \$2.5 million on sales of \$701.8 million.

In 1979 Hudson's Bay acquired a 35.6% share in Simpson-Sears when it purchased control of Simpson's Ltd., a dept. store chain. Hudson's Bay, though, didn't manage the Simpson-Sears group.